



Sir David Henshaw
Child Support Review
Department for Work and Pensions
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1. Following on from our meeting of 20th March 2005, I am writing to you to lay out CPAG's views on child support and therefore what we are looking for from your review of child support policy.
2. CPAG welcomes the review. However children and families who have suffered the worst impact of the failings of the Child Support Agency (CSA) have waited far too long for effective reform - indeed a child born at the time of the 1999 reform will now already be in their second year of school.
3. In 2004/05 3.4 million¹ children lived in income poverty in Great Britain; though the measure of poverty is changing, the target to halve child poverty by 2010 and eradicate it by 2020 has not. Of these 3.4 million children, 1.5 million were in lone parent families. We do not know how many of the remaining poor children might also have been affected by child support policies – either families where a parent with care has re-partnered or those where the non-resident parent has re-partnered and has responsibility for other children (henceforth called second families). Effective delivery of child support is crucial in securing the necessary gains in reduced child poverty – both by reducing child poverty per se, and by reducing its depth, thereby supporting the success of tax credits

¹ See National Statistics, 2006, Households Below Average Income An analysis of the income distribution 1994/5 – 2004/05 Department for Work and Pensions, Corporate Document Services

and of labour market policy to increase the employment rate and returns from paid work.

4. The Operational Plan has laid out some interim – and necessary - steps to improve the effectiveness of the CSA. This work - and that on other possible “quick wins” - needs to go alongside any wider and more fundamental review.
5. We note your terms of reference to be:
 - a. How best to ensure that parents take financial responsibility for their children when they live apart;
 - b. The best arrangements for delivering this outcome cost effectively;
 - c. The options for moving to new structures and policies recognising the need to protect the level of service offered to the current 1.5 million parents with care.

We are surprised that these objectives place parental responsibility above the interests of children and do not mention child poverty at all. Given the government’s target to eradicate child poverty and the contribution that child support policy could make to this ambitious and admirable aim, we would expect children’s interests to be centre stage. Clearly the state has a role and an interest in effective collection of child support debts but ‘child support’ policy should not ignore the importance of its role in relation to tackling child poverty and the best interests of children. Child support policy that has sought to place Treasury savings above children and families’ interests has failed in the past.² We also stress, as inferred in the second point of the terms of reference, that although government needs to focus on the costs of delivery, to try to deliver child support on the cheap will set this policy area up for failure and will not gear it to the target to reduce child poverty.

6. To reduce child poverty and to fit with wider policy which aims to improve children’s lives and outcomes for children, child support policy also needs to support objectives around employment and tax credits, and address the aims of the *Every Child Matters* agenda to ensure children: are healthy; stay safe; enjoy and achieve; make a positive contribution; and achieve economic well-being. Specifically CPAG argues child support should:
 - Deliver adequate and stable maintenance, even if it is difficult to enforce collection;
 - Consider the needs and ability to pay of second families – it should not reduce poverty for one group of children by increasing it among another;

² See Garnham, A and Knights, E, Putting the Treasury First, Child Poverty Action Group, 1994

- Should minimise conflict between parents – conflict is well acknowledged to be highly damaging for children's wellbeing.³

Child support and child poverty

7. Though the relationship between child support and child poverty is often ignored in discussion, this policy area affects many poor children:
 - **Of 3.1 million children with lone parents, 1.5 million (48 per cent) are poor.**⁴ If the children of lone parents faced the same risk of poverty as those with coupled parents – 20 per cent – 870 thousand *fewer* children would be poor. We do not know how many children in second families are living in poverty, but inevitably looking only at children in lone parent households will undercount the numbers of children affected by child support policy.
 - **The CSA currently performs worst for those with lower incomes.** In announcing your review the Secretary of State noted that only a third of lone parents receive maintenance, but only half of this number (15 per cent) of lone parents on benefit receive maintenance.⁵
 - **Non-resident parents are also disadvantaged by the current system . They are disproportionately likely to be reliant on benefits and to have lower wages than is typical in the working age population.** In May 2005, administrative statistics indicate for old scheme cases that, of 624 thousand cases, one third (230 thousand) reported no net assessable earnings (i.e. they were on benefits), and a further half (320 thousand) reported earnings below £300 per week.⁶
8. We know very little about the situation of children in second families. For child support reform to be sustainable it should ensure that all children gain, rather than one group gaining at the expense of another. Whilst it is clearly critically important to get more maintenance flowing to parents with care in order to tackle the poverty faced by so many of these families, estimates of the impact of policy options also need to take account of impacts on second families, to avoid the risk that child support policy merely cycles money from one poor household to another, failing to reduce overall poverty whilst increasing the potential for conflict between parents.

³ See for instance Hawthorne, J Jessop, J, Pryor, J and Richards, M, *Supporting children through family change*, Joseph Rowntree Foundation, 2003

⁴ See note 1

⁵ John Hutton MP, February 9th 2006, Column 1019. Hansard.

⁶ see Department for Work and Pensions, Child Support Agency Quarterly Summary of Statistics - May 2005 http://www.dwp.gov.uk/asd/asd1/child_support/csa_may05_tables.xls Table 4.4

9. Previous attempts which model the impact of current child support policies on poverty may suggest the overall impact is small (and again have not taken into account impacts on second families), but the capacity of child support to work more favourably for families is greater and effective child support policy can reduce the *depth* of poverty and therefore support the effective delivery of other policy aims (such as the lone parent employment target or tax credits).
10. The Agency's recent Operational Plan indicates it expects better performance by the Agency to reduce child poverty by 40,000 children by August 2010. Though important this is little compared with the number of poor children who might be affected by child support: it is 2.7 per cent of those children in lone parent households who are currently in poverty and an even smaller proportion of all poor children affected by child support. We would urge your review to engage with whether faster and more substantial progress can be made by and during the period of the Operational Plan to support the wider commitment to halve child poverty by 2010/11.

Possible reform options

11. There are no magic bullets to solve the problems of child support policy; indeed after two unsuccessful reforms we are suspicious of them. CPAG is not wedded to any particular institutional design, but we argue that the approach should be rights-based and note the risk that a courts-based system may create an unequal power relationship which works against mothers. We are also concerned that although, superficially, it may seem logical to transfer elements of the work of the CSA to Her Majesty's Customs and Revenue, to do so now, while HMRC is trying to get on top of problems in the tax credit system, digesting its recent merger and coping with the Gershon staff reductions, would place too much strain on that agency.
12. Many vulnerable families are dealt with under the child support system and so we urge caution to avoid families losing out from reforms. Indeed one solution is not fundamentally to reform at all, but rather to invest in the CSA to make the current system work much more effectively whilst improving the incomes protection for those for whom it is not working. Here we make a series of suggestions that we believe would make child support policy work better for children.

Child maintenance premium (CMP).

13. There is a moral basis for improving the action of the CMP – it is wrong that access to it is determined not by need but by the date of relationship breakdown and application to the CSA. There is also significant potential in making the current system more equitable and effective at tackling poverty.

14. Currently this premium is received by a very small number of families: 35,000 in December 2005⁷ compared to 1.5 million cases in the system (though of these only the new scheme cases on benefits might have been eligible). Even in terms of those who might be expected to have an entitlement under current legislation, receipt is low. If 28 per cent of parents with care are claiming IS/JSA⁸ (and hence entitled) of the 276 thousand cases on the new scheme (December 2005 figures),⁹ this would imply that about 77 thousand should get the premium, double the number who actually do. There is work to be done therefore to maximise the proportion in receipt of what is in effect a disregard for assessment of other benefits – if receipt is low, current policy is failing in achieving its objective.
15. Alongside increasing the number currently entitled who are in receipt, moves could be made to improve the ability of the premium to reduce poverty, this could be done in two ways:
- First extend entitlement to all cases, not just the new scheme. It is inequitable that some families can access this whilst others cannot, irrespective of their actual needs. The CSA may find this administratively difficult to implement but we suggest manual processes (with the necessary staff resources required to support this) might be used to overcome IT constraints. We urge this as a quick win to improve the position of children and families suffering now.
 - Secondly disregard all maintenance for benefit assessment purposes. Currently maintenance is not assessed for entitlement to tax credits at all, and the same principle could be used for IS/JSA cases. Indeed since new claimants of IS/JSA receive only adult payments (child payments being made through the tax credit system) it seems indefensible to reduce an adult payment (IS/JSA) because of the existence of a payment intended to support the child. This would not only help reduce poverty but would strengthen lone parents' incentive to apply for maintenance.

Adequate and effective advice

16. The Operational Plan notes that 70 per cent of applications for maintenance accompany a benefits claim (perhaps unsurprising since benefits claimants have to use the agency). Yet the legal basis of the child support system and social security system are markedly different, and CPAG's experience suggests that advice (either first or second

⁷ Department for Work and Pensions, Child Support Agency Quarterly Summary Statistics: December 2005

⁸ Making this estimate is difficult since up-to-date information is limited. 28 per cent is the proportion of assessed cases with a parent with care on IS/JSA on the old scheme as of May 2005, see Department for Work and Pensions, Child Support Agency Quarterly Summary of Statistics - May 2005 http://www.dwp.gov.uk/asd/asd1/child_support/csa_may05_tables.xls

⁹ See note 7

tier) is much less adequate (and with greater geographic variation) on child support than on benefits/ tax credits. Welfare rights workers are less likely to be adequately trained or comfortable advising on child support issues, and given that the advice sector is currently extremely stretched it struggles to deliver effective advice on child support. CPAG therefore believes that there is a gap in the independent advice field, which hinders parents effectively using the system – we urge your review to consider what might be done to ease this dearth.

The impact on second families

17. Very little is known about child poverty in second families, yet as is suggested above there is clear evidence that this group is unlikely to be very wealthy. We therefore look to the review both to assess the impact of proposed changes on second families and not to create a system which merely cycles money between poor parents in different households – this will not tackle child poverty and may increase parental conflict.

Advance payment system

18. More radically we would stress strongly that from a child poverty point of view, collection of maintenance and its distribution to children should be separated – the one should not rely on the other. An advance payment based system where the state makes upfront payment to the parent with care based on the assessment of need and then (separately) collects this from the non-resident parent would protect the child from difficulties or irregularities in collecting maintenance, and would place the onus on the state more effectively to enforce collection whilst protecting children who would otherwise lose out.
19. Finally, CPAG's experience shows the truth in the observation that services for '**poor people tend to become poor services**'. One of the problems with the current Child Support Agency is that it is only benefit-related cases which are forced to go through its books. A wider group making use of the system (perhaps automatically opted in) would help to drive up standards in the long term. In considering your review we urge a more, rather than a less, universal approach be taken.

Yours sincerely

Kate Green
Chief Executive