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TE MANATŪ WHAKAHIATO ORA



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Ministry for Children

Section 70A and Children

Research Brief – February 2019

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Disclaimer

MSD and Oranga Tamariki data were linked for the purposes of this research under a Memorandum of Understanding between the two agencies. Access to the linked data was restricted to the project team, and data were analysed on the secure MSD Information and Analysis Platform. Independent ethical review was provided by the MSD Research Ethics Panel before proceeding with the linkage.

In some cases counts in this paper draw on research data which differ in some respects from official counts. Results should not be viewed as official counts.

MSD and Oranga Tamariki have made every effort to ensure the information in this report is reliable, but do not guarantee its accuracy and do not accept liability for any errors.

The views and interpretations in this report are those of the researchers and are not the official position of the MSD or Oranga Tamariki.

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Executive Summary

In the New Zealand welfare benefit system, the benefit received by a sole parent is reduced for each dependent child for whom they do not seek child support, subject to some exemptions. These reductions were set out in section 70A of the Social Security Act 1964, and are now provided for in section 192 of the Social Security Act 2018. The benefit is reduced by between \$22 and \$28 per week for each such child. The average affected family has a \$34 per week reduction in benefit per week, equivalent to a loss of 10 percent of the net weekly rate of Sole Parent Support.

In mid-2017, the then Minister for Social Development instructed the Ministry of Social Development (MSD) to undertake research on section 70A. This request followed policy advice from MSD that there was insufficient evidence to assess the policy's effectiveness in achieving its intent, how it affects clients and their children, and whether it is in the best interests of children. In October 2017, the incoming Government said that it intended to remove the section 70A benefit reductions.

This research brief aims to support future policy development by addressing the following questions:

- How are children affected by section 70A reductions?
- How might removal of section 70A reductions impact on children affected by reductions?
- How else could claims for child support be encouraged?

We do not provide an assessment of the effectiveness of section 70A in achieving its intent.

Findings

At the end of June 2018, based on research data around 25,500 children were in families affected by section 70A reductions (9,500 of these children – one-third – were not themselves the subject of a deduction).

The 25,500 children who were in families affected at this date make up an estimated 2.3 percent of all children in New Zealand.

The proportion of New Zealand children who were ever in families affected is much larger. Among children born in 2010-2011, an estimated 11 percent of all children ever present in New Zealand by age six were in a family affected by section 70A benefit reductions at some time.

Around 4 in 10 of the children ever affected by reductions were affected for less than a year; one-quarter were affected for three or more of their first six years.

The proportion affected at any given month-end was highest in early childhood.

Section 70A benefit reductions disproportionately affect children already at high risk of persistent poverty and adverse childhood experiences.

Compared with other children supported by a main benefit at some time, children in families affected by reductions were more likely to have a young caregiver. Most were

supported by a main benefit within two months of birth and most spent more than half their first six years supported by benefit. Children in families affected by reductions were more likely to come to the attention of the care and protection system.

A developing evidence base suggests that outcomes for some of the children affected are likely to be being harmed by loss of family income associated with the reductions.

Recent studies from overseas suggest a causal link between family incomes and care and protection service contact. More broadly, a developing body of international research shows that lower family incomes have a negative causal impact on child development. Evidence of a causal link is strongest for cognitive, social, and behavioural development, and for school achievement.

This evidence base suggests that section 70A benefit reductions are not in the best interests of the children affected, and that removal of reductions could improve their outcomes.

Removal of section 70A benefit reductions could result in a behavioural response by parents receiving benefit – fewer might make a claim for child support without the threat of reductions acting as an incentive, and this might lead to lower incomes once families leave benefit. We briefly review two possible mechanisms for offsetting this effect and encouraging child support claims in the absence of benefit reductions.

Evidence from the United States suggests that in the absence of section 70A, **a policy of passing on child support to parents on benefit could boost claims and the amount of child support paid and received, while contributing to poverty reduction.**

In New Zealand in the mid-2000s, a facilitative initiative was introduced to reduce numbers affected by section 70A reductions. Examining trends around this time suggests that improved facilitation could potentially support a policy of passing on child support by increasing awareness and supporting the claims process. The full benefits and costs of this approach could be explored further.

Better information about living arrangements and income sharing practices and how these vary across cultural groups in New Zealand would help inform the development of future policy and administration.

Recent small qualitative studies suggest that, in some respects, there may be an uncomfortable cultural fit between lives, relationships and responsibilities Māori and Pacific mothers have and the requirements and assumptions of the benefit and formal child support systems.

For Pacific mothers in one study, fathers making a financial contribution was important, and some mothers used the formal child support system when they felt they had no other option. However, pursuing formal child support could work against their sense of what being a good mother and being a good Pacific mother entailed.

Introduction

Background

Section 70A of the Social Security Act 1964 required that the rate of a sole parent's benefit be reduced for each dependent child for whom the person does not seek child support, subject to some exemptions. These provisions are now set out in section 192 of the Social Security Act 2018.¹

The reductions apply if a sole parent receiving benefit does not identify the other parent of the child, does not complete a child support application, or does not attend and provide information at a hearing when required.² The requirement to apply for child support applies even if the parents have an existing private arrangement.

Grounds for exemption apply where there is insufficient evidence available to establish who the other parent is, the sole parent is taking active steps to identify who the other parent is, there is a risk of violence if the sole parent complies with the requirements, there are other compelling circumstances and no real likelihood of child support being collected, or the child was conceived as a result of incest or sexual violation.

The benefit is reduced by \$22 per week for each dependent child for whom a client refuses or fails to meet their child support obligations, unless an exemption has been sought and granted. After 13 weeks a further \$6 per week reduction applies (this reduction applies once only per client, regardless of how many of that client's children the \$22 reduction applies to).

At the end of June 2018, families affected by section 70A reductions had them in place for 1.29 children on average. The average affected family had a \$34 reduction in benefit per week (after adding the \$6 per family reduction), equivalent to a loss of 10 percent of the net weekly rate of Sole Parent Support. Sole parents supported by benefit also receive family tax credits, often receive accommodation and other supplements, and may receive income from employment or other sources. As a result, the loss of total family income that results from section 70A reductions is typically smaller than 10 percent.

While a sole parent receives benefit, child support paid in respect of a child is retained by the government to offset the cost of the benefit. If the child support payments are in excess of the net benefit paid, the amount above the benefit level is paid to a sole parent by Inland Revenue. This excess is not treated as assessable income for the purposes of abating the main benefit.

Parents receive the whole amount of the child support payment once they leave benefit. The amount they receive is treated as assessable income for calculating entitlement to family tax credits and supplementary payments such as Accommodation Supplement and Childcare Subsidy.

¹ We continue to refer to Section 70A of the Social Security Act 1964 as this was the relevant legislation at the time this analysis was commissioned and conducted.

² For the relevant legislation at the time the analysis was commissioned and conducted, see <http://www.legislation.govt.nz/act/public/1964/0136/latest/DLM363583.html>

Another feature of the system is that child support 'paying parents' who are supported by benefit are required to pay the minimum payment of \$17.67 per week. A sole parent receiving benefit may be liable for these payments for children not in their care³ and have section 70A reductions in respect of the children who are in their care.

The intent of section 70A is to encourage applications for child support, to encourage parents to meet their financial responsibilities to their children, and to allow the government to recoup some of the costs of benefit payments for sole parents. This reflects a long standing policy principle that cash relief should be conditional on the pursuit of maintenance from fathers. This principle dates back to the beginning of central government administration of 'charitable aid' in 1885 (Goodger, 1998).

The purpose of this brief

This research brief addresses the following questions:

- **How are children affected by section 70A?** Existing reporting on section 70A focuses on parents affected. Here, we examine how many children are affected by section 70A reductions, for how long and at what ages, and their profile. We use research data which can provide slightly different counts to monitoring data, and for this reason we round counts to the nearest 500. Our focus is on children affected by deductions – exemptions are not examined.
- **How might removal of section 70A impact on children affected by reductions?** Removal of benefit reductions would raise family incomes. How would this be expected to impact on outcomes for affected children?
- **How else could claims for child support be encouraged?** We explore evidence from overseas jurisdictions on the effects of passing child support through to parents on benefits, and changes associated with an Early Intervention Programme that operated in New Zealand in the 2000s, which may offer some insights into the potential response to improved information provision and facilitation of child support claims.

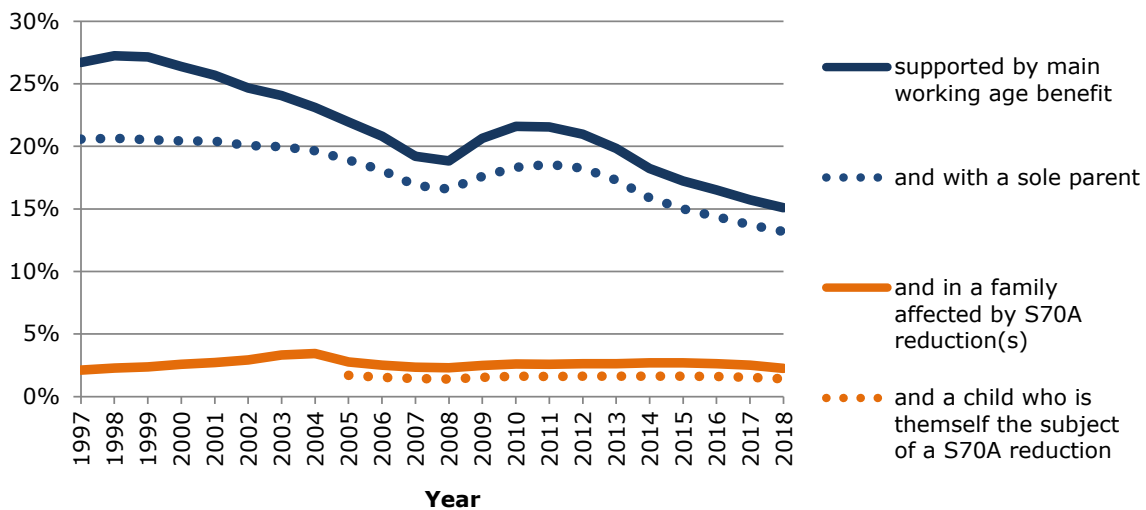
³ This includes situations where a child is cared for by the other parent, has been removed from a parent's care, or is cared for by other family members with the support of Unsupported Child Benefit.

How are children affected by section 70A?

At June 2018, around 25,500 children were in families affected by section 70A benefit reductions (2.3 percent of all children aged under 18 in the New Zealand population, and 17.2 percent of children in a sole parent family supported by benefit). Of these children, around 9,500 (one-third) were not themselves the subject of a section 70A benefit reduction, but were in a family where another child was subject to a reduction.

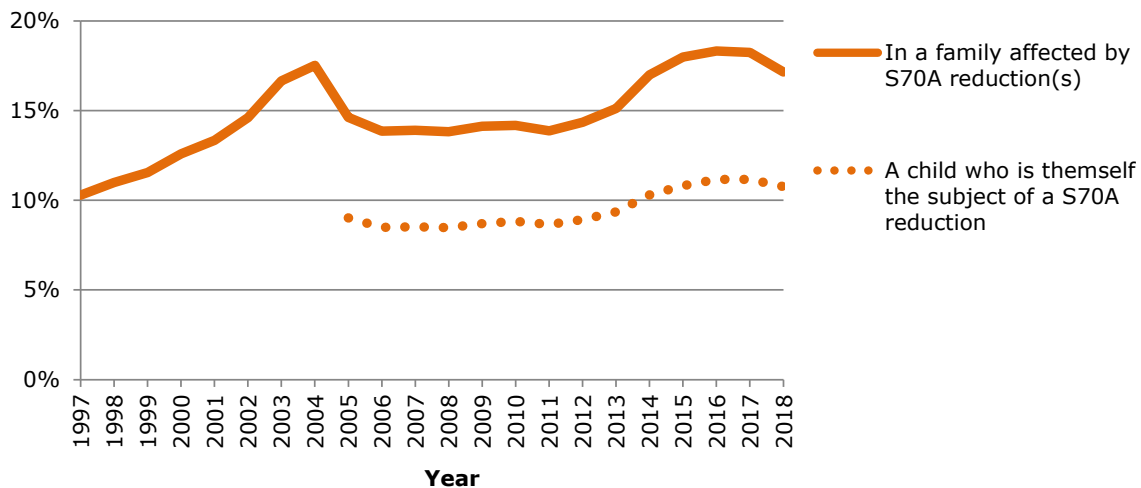
The proportion of children affected by section 70A benefit reductions has declined slightly since 2015. This was driven by a decline in the proportion of children supported by benefit and with a sole parent (Figure 1). Between 2017 and 2018, a drop in the rate at which children of sole parents supported by benefit were affected by reductions also contributed to the decline (Figure 2).

Figure 1: Estimated percentage of children aged under 18 who are supported by benefit and affected by section 70A reductions



Sources: numerator: MSD administrative data for June; denominator Statistics New Zealand estimated resident population as at the June quarter (for 2018 we used the March quarter as June was not yet available).

Figure 2: Percentage of children supported by benefit with a sole parent who are affected by section 70A reductions



Source: MSD administrative data for June.

Time children are affected

Looking back at previous cohorts of children helps give a picture of how long children are affected by section 70A reductions, and when in childhood they are most likely to be affected. This can vary depending on when and for how long their family is supported by benefit, and whether and when their parent applies for child support, or seeks and gains an exemption.

Following the cohort of children born in 2010-11 to their sixth birthday, 15,600 children were in a family affected by section 70A benefit reductions at some time. This number represents an estimated 11 percent of all children in that two-year birth cohort ever present in New Zealand by age six.⁴

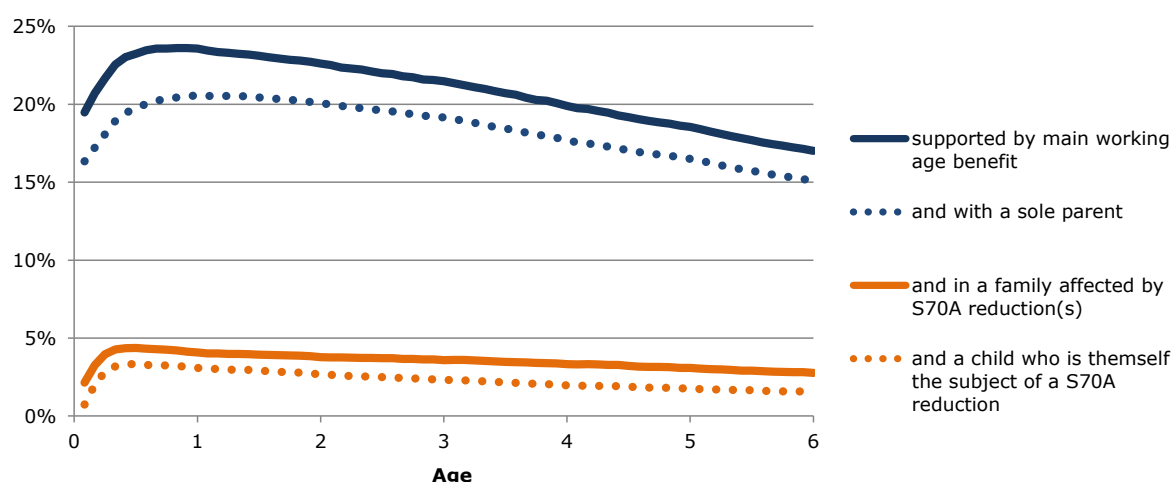
Of the children in a family affected by a reduction for some time:

- 46 percent were affected for less than a year by their sixth birthday (an estimated 5 percent of all children in the cohort)
- 29 percent were affected for one to two years (an estimated 3 percent of all children in the cohort)
- 26 percent were affected for three or more of their first six years (an estimated 3 percent of all children in the cohort).

The likelihood of being affected by the reductions was highest when the children were in their first year of life (Figure 3) – at any given month-end between four and 12 months of age:

- more than 4 percent of the cohort overall were in a family affected by reductions
- of children in the cohort in sole parent families supported by benefit, more than 20 percent were in a family affected by reductions.

Figure 3: Estimated percentage of children who are supported by benefit and affected by section 70A reductions at month-ends to age six, children born in 2010-2011



Sources: numerator: MSD administrative data; denominator Statistics New Zealand number of live births and permanent and long-term arrivals by single year of age.

⁴ The count of all children in that two-year birth cohort ever present in New Zealand is estimated using the approach described in MSD (2012) Appendix 2. Statistics New Zealand data on permanent and long-term arrivals of children born in the two-year window before age six are added to the Statistics New Zealand counts of New Zealand live births.

Following the cohort of children born in 2000-2001 to their 16th birthday, 21,600 children were in a family affected by section 70A benefit reductions at some time. This number represents an estimated 15 percent of all children in that two-year birth cohort ever present in New Zealand by age 16.

Of the children in a family affected by a reduction for some time:

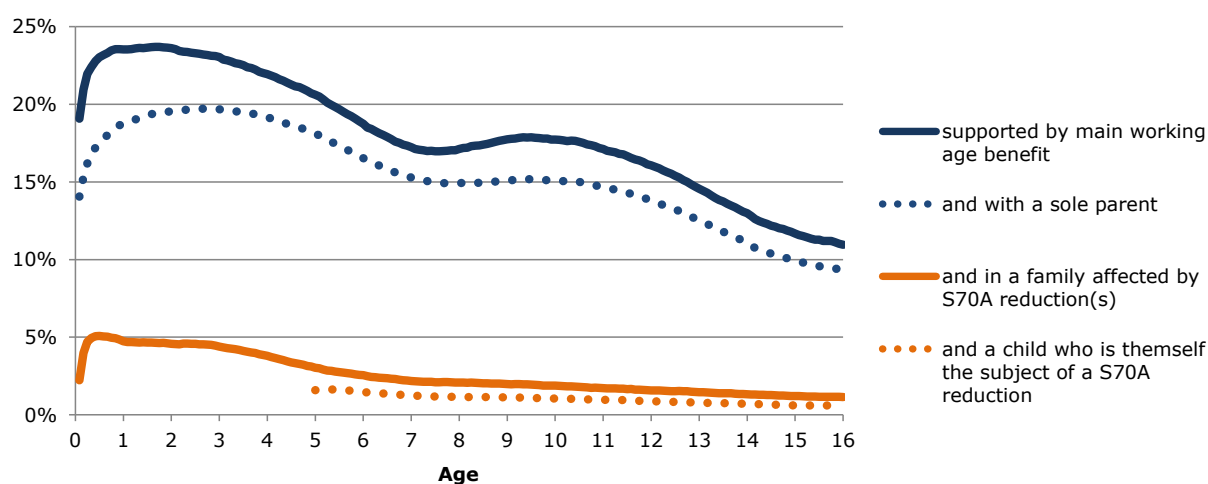
- 43 percent were affected for less than a year by their sixteenth birthday (an estimated 6 percent of all children in the cohort)
- 26 percent were affected for one to two years (an estimated 4 percent of all children in the cohort)
- 23 percent were affected for three to seven years (an estimated 3 percent of all children in the cohort)
- 9 percent were affected for eight or more of their first sixteen years (an estimated 1 percent of all children in the cohort).

At each month-end up to age three:

- around 5 percent of the cohort overall were in a family affected by reductions
- of children in the cohort in sole parent families supported by benefit, the proportion in a family affected by reductions ranged between 25 percent and 30 percent in the first year and between 22 percent and 25 percent in the second and third years (Figure 4).

For this cohort, the increase in benefit receipt associated with the Global Financial Crisis caused a second peak in the likelihood of being supported by a main working-age benefit at around age nine.

Figure 4: Estimated percentage of children who are supported by benefit and affected by section 70A reductions at month-ends to age 16, children born in 2000-2001



Sources: numerator: MSD administrative data; denominator Statistics New Zealand number of live births and permanent and long-term arrivals by single year of age.

Profile of children affected

The group of families affected by section 70A reductions would be expected to include some diverse sub-populations. While a fairly broad cross-section may be affected by the reductions at some time, those affected for long periods (and supported by benefit for long periods) might be expected to have a more disadvantaged profile (MSD, 2010). For some, refusal to apply for child support may be accompanied by an undeclared private arrangement where the other parent pays some money that supplements the family's income. For others, there may be no private arrangement.

Despite this likely diversity within the population, it appears that section 70A reductions disproportionately affect children already at high risk of persistent poverty and adverse childhood experiences (Table 1).

Compared with other children in the 2010-2011 birth cohort supported by a main benefit at some time before age six, children who were in a family affected by section 70A reductions were more likely to have a caregiver who was aged under 25 when the child was born (54 percent vs 43 percent), to have been first included in benefit before reaching two months of age (76 percent vs 53 percent), and to have spent three or more years supported by a main benefit by age six (72 percent vs 42 percent).

Of the children in a family affected by section 70A reductions by age six, most (58 percent) were first affected by the reductions before age one, and most (60 percent) spent some time in a family where there were other children who were the subject of a section 70A reduction.

The high representation of children first included in benefit and first affected by reductions at an early age is suggestive of less established relationships between the parents – compared to other families supported by benefit at some time, benefit receipt in families affected by section 70A reductions may be more likely to be associated with birth outside of a relationship, rather than the breakdown of a relationship or loss of parental employment.

Children in a family affected by section 70A were slightly more likely to have a Māori caregiver than all children in the 2010-2011 cohort supported by a main benefit at some time (53 percent compared with 36 percent). Children with Pacific caregivers were not over-represented, relative to other children supported by benefit at some time.

Children in a family affected by section 70A reductions were more likely to have care and protection service contact.

Table 1: Profile of children affected by reductions by age six, children born in 2010-2011

	IN A FAMILY AFFECTED BY S70A REDUCTIONS BY AGE SIX		ALL CHILDREN SUPPORTED BY BENEFIT*** BY AGE SIX
	Yes	No	
Age of caregiver* at child's birth:			
under 20	18%	13%	14%
20-24	36%	30%	32%
25-29	22%	23%	23%
30-34	13%	17%	16%
35 or over	10%	16%	15%
Total	100%	100%	100%
Ethnic group(s)^ of caregiver*:			
Māori	53%	36%	41%
Pacific	16%	17%	17%
European	40%	45%	44%
Other	5%	14%	11%
Child was first supported by benefit:			
by 2 months of age	76%	53%	60%
aged 2-11 months	14%	21%	19%
aged 1 year or older	10%	25%	21%
Total	100%	100%	100%
Length of time child was supported by benefit by age six:			
under 1 year	9%	31%	25%
1-2 years	19%	26%	24%
3 or more years	72%	42%	51%
Total	100%	100%	100%
Child was in a family affected by s70A by age one	58%	0%	16%
Child was ever subject of a s70A exemption by age six	8%	1%	3%
Ever other children in the family with a s70A deduction	60%	0%	17%
Care and protection service contacts by age six:			
Report of concern	41%	26%	31%
Care episode	3%	2%	2%
Record of a family violence incident attended by Police**	15%	9%	11%
Total number of children	15,600	39,400	55,000
Estimated % of all children in birth cohort by age six	11%	28%	40%

Notes:

* The female caregiver if a female caregiver was present in the family, or the male caregiver if no female caregiver present. Based on the caregiver(s) as at the child's first inclusion in a main work-age benefit.

^ Based on 'total response' ethnic data of caregivers - one child may appear in more than one group.

** Either a Police family violence contact record, notification or report of concern. See Appendix.

*** Supported by a main working-age benefit.

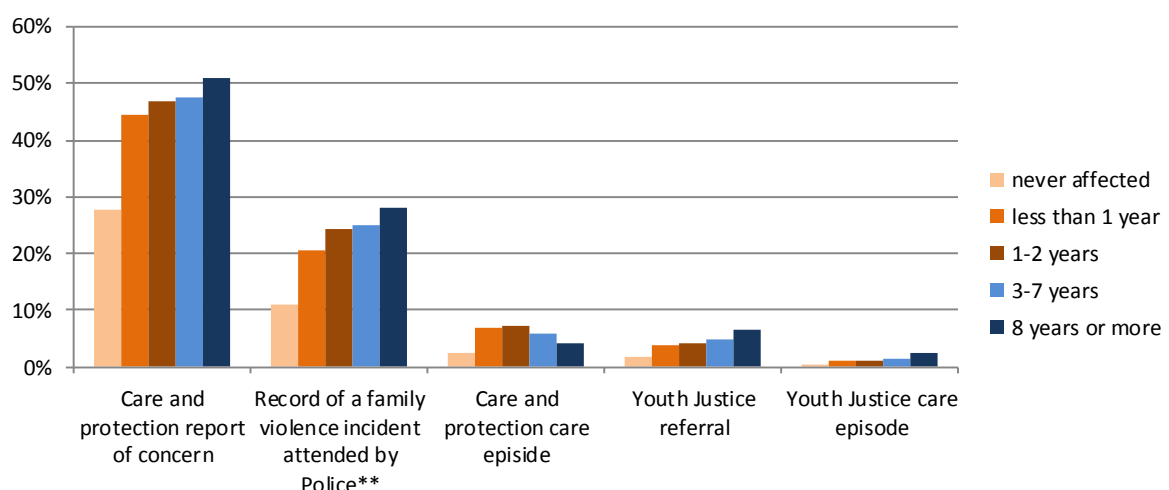
Sources: MSD administrative data; Oranga Tamariki administrative data. Statistics New Zealand number of live births and permanent and long-term arrivals by single year of age.

Following the 2000-2001 birth cohort provides a longer period over which to explore the association between the length of time a child was in a family affected by section 70A reductions and care and protection service contacts. It also lets us look at contact with Oranga Tamariki as a result of Youth Justice system involvement.⁵

Among children in the 2000-2001 birth cohort supported by a main benefit at some time, children who spent more of their first 16 years in a family affected by section 70A reductions were more likely to be the subject of a care and protection report of concern by age 16 and to have a contact record, notification or report of concern associated with Police attendance at a family violence incident. They were also more likely to have a Youth Justice referral or Youth Justice care episode (Figure 5).⁶

It is important to note that from this descriptive analysis it is not possible to say whether these associations are partly causal in nature, with section 70A deductions increasing the likelihood of service contact, or purely correlational, with the association being explained by other factors, which are related to both the likelihood of section 70A reductions and service contact. We review international literature that sheds some light on this question in the following section.

Figure 5: Percentage of children supported by benefit at some time who have care and protection service contact by age 16 by length of time in a family affected by section 70A reductions by age 16, children born in 2000-2001



Note: ** Either a Police family violence contact record, notification or report of concern. See Appendix for details.

Sources: numerator: Oranga Tamariki administrative data; denominator MSD administrative data.

⁵ Responsibilities of Oranga Tamariki (formerly Child Youth and Family) include managing and implementing the family group conference (FGC) process for young offenders, and providing care in Youth Justice residential facilities. Police and the Youth Court can make a referral to Oranga Tamariki to convene a Youth Justice FGC.

⁶ Note the incident may have occurred at a time when no Section 70A reduction was in force, and these data relate to all children in families affected by Section 70A reductions (they are not restricted to those children who are the subject of a reduction).

Children who were in a family affected by section 70A reductions were more likely than those never affected to have a care and protection care episode. However, a longer period affected by reductions was not associated with a higher likelihood of having a care episode – this is likely to reflect the fact that children’s exposure to section 70A was longer when they remained in the care of their families through their early years (and conversely, length of time able to be exposed to section 70A was reduced by time in state care).

How might removal of section 70A impact on children affected?

An important question is whether the higher rate of care and protection service contact among the children who are most affected by section 70A benefit reductions partly reflects the causal effect of loss of income.

A range of studies shows that poverty is associated with higher rates of abuse and neglect and an increased likelihood of coming to the attention of child welfare agencies. Two of the main theories that are used to explain the relationship between low income and child maltreatment are the ‘what money can buy’ and the ‘parental stress’ models (Boston & Chapple, 2014).

The basic argument of the first model is that higher income enables parents to purchase better quality housing, food, early childhood education and schooling, and live in higher socio-economic neighbourhoods, as well as afford extra-curricular activities, all of which contribute to improved developmental outcomes for children. Conversely, if parents have insufficient incomes to meet children’s basic needs then this may increase the likelihood of some indicators of neglect, such as inadequate clothing and medical care (Berger & Waldfogel, 2011).

The second model suggests that low income impacts the likelihood of poor child outcomes and child maltreatment through increased parental stress. Maladaptive coping mechanisms, such as parental conflict or substance abuse, may be triggered or exacerbated by family stress (Bywaters et al., 2016).

A series of recent experimental and quasi-experimental studies, mainly from the United States, provides some evidence that the relationship between low income and child maltreatment *is* partly causal (see Oranga Tamariki Evidence Centre (2019) and Mackay (2019) for more detailed reviews). This evidence base is still developing, and as yet no systematic review has been conducted. Establishing true causal effects is notoriously difficult, especially in the absence of a randomised controlled trial.

Despite the challenges, there is a range of evidence that supports the existence of a causal link. Experimental and quasi-experimental studies show that welfare policies that lower incomes through sanctions or benefit limits can increase rates of child neglect and entry into care. Conversely, increasing incomes for families receiving a benefit or on a low income can lead to reductions in involvement with child protective services, child neglect, and entry into care.

- A United States experimental study found that **a strict welfare reform package, which used benefit sanctions (including permanent case closure**

for a third instance of non-compliance) to penalise non-compliance with conditions, increased substantiated neglect rates (Fein & Lee, 2003). When compared with parents subject to the usual welfare policies, the experimental group had small increases in child neglect, which were most consistent for the most disadvantaged subgroups, but no increase in abuse or foster care placement. Although this study was a randomised controlled trial, it is important to note that the package included a number of elements in addition to sanctions for non-compliance (eg increased earnings disregards, time limits on welfare receipt, and expanded health and childcare coverage). However, it does appear that sanctions were important. In descriptive analysis, leading up to and immediately following the stopping of benefit, the incidence of neglect increased more for those whose benefits stopped because of successively more severe sanctions than for those who left benefit voluntarily.

- A quasi-experimental study found that **reducing welfare payments led to substantial increases in the rate of out-of-home care** (Wildeman & Fallesen, 2017). In 2004, the Danish government introduced time-dependent welfare payment ceilings. This policy meant that mothers without unemployment insurance experienced a sharp decrease in welfare payments, which equated to a 30 percent reduction in their disposable incomes. When compared with an unaffected group of mothers, the study found that the income change increased children's risk of an out-of-home placement by about 1.5 percentage points in any given year, representing an increase of 25 percent. The size of the effect was larger for adolescent than for younger children.
- This finding is consistent with an earlier quasi-experimental study in the United States, which examined state-level variation in benefit levels (Paxson & Waldfogel, 2002). **Higher benefit levels were associated with markedly lower rates of substantiated neglect and entry into out-of-home care.** A 10 percent increase in the maximum benefit was predicted to reduce neglect by 39 percent and the foster care population by nearly 20 percent.
- In a further experimental study from the United States, Cancian, Yang & Slack (2013) found that **a very modest increase in incomes for families experiencing financial hardship reduced child protective service involvement.** In a randomised controlled trial in Wisconsin, mothers who made use of Temporary Assistance for Needy Families (TANF) received either a full or partial pass-through of child support payments. At the time of the study, state and federal governments usually retained child support payments to offset the cost of TANF. When controlling for a limited set of observable characteristics measured at the time of assignment (eg age, education), this trial found that a very modest average increase in child support income of about US\$100 per year led to a 10 percent reduction in the odds of having a screened-in maltreatment report. In part, the very modest average increase child support income resulted from averaging over many families in both experimental and control groups who received no child support. While most mothers (57 percent) had a child support order in place at the start of the trial, only 30 percent had payments made on their behalf in the past 12 months. The average annual difference in child support receipts was over \$400 for the subsample of families who simultaneously received child support and TANF.
- A quasi-experimental study examined within-state variation in the administration of child support policy for parents who had children removed from their care.

Results suggest **requiring parents to pay child support may lengthen the time their children spend in foster care** by reducing the economic resources available to help them achieve the conditions required for reunification (Cancian et al., 2017). This result is consistent with those from studies focused on families with children in their care in suggesting that reduced income increases assessed risks to child welfare.

- **Increased income, through more generous tax credits, has been associated with a reduced likelihood of child protective service involvement and neglect.** Berger et al. (2017) examined the relationship between income and parent-reported child protective services involvement and parenting behaviours that proxy for child abuse and neglect risk among unmarried families. The study used survey data and a quasi-experimental design, which made use of differences between states and over time in the amount of refundable tax credits available. A yearly income increase of \$1000 significantly decreased the probability of reported child protective service involvement by 7–10 percent. This income increase also led to a modest reduction in rates of parent-reported neglectful parenting behaviours (3-4 percent).
- Raissian and Bullinger (2017) examine changes in the minimum wage across 14 states and show a link with state-level neglect notifications screened-in for further assessment. When controlling for other factors, the authors estimated that **a \$1 increase in the minimum wage was associated with a significant decline in screened-in neglect reports (9.6 percent)**. There was also a trend towards a reduction in overall maltreatment reports, although this was not statistically significant.

More broadly, a developing body of international research shows that higher family incomes have a positive causal impact on child development, and lower family incomes have a negative causal impact. Evidence of a causal link is strongest for cognitive, social, and behavioural development, along with school achievement, but is more mixed for children’s physical health and involvement with youth justice services (Boston & Chapple, 2014; Cooper & Stewart, 2013).

New Zealand and overseas research establishes that poverty is associated with mental health problems in childhood and through the lifespan (Gibson et al., 2017), and evidence that income level has a causal impact on mental health is mounting. Several studies have identified a causal impact of income on maternal mental health, parenting behaviour, and the home environment, all mechanisms by which income might influence children’s outcomes (Cooper & Stewart, 2013).

Income is likely to have a direct and indirect relationship with maternal mental health. An example of an indirect mechanism through which lower income may influence the mental health of mothers is via its association with less positive relationships between parents (Dominick, 2018a; Dominick, 2018b).

This developing evidence base suggests that raising sole parent beneficiary families’ incomes could reduce care and protection-related service contact and costs for children, and improve these children’s cognitive, social, and behavioural development, home environment and school achievement.

As one means of raising some sole parent beneficiary families’ incomes, removal of section 70A reductions could be expected to have this effect.

How else could claims for child support be encouraged?

Removal of section 70A benefit reductions could result in a behavioural response that leads to lower numbers of child support claims, and this might lead to lower incomes once families leave benefit. We briefly review two possible mechanisms for encouraging claims for child support in the absence of benefit reductions: pass-on of child support payments to parents in receipt of benefit; and improved facilitation.

Passing on child support to parents on benefit

In many countries, child support payments are passed on in part or in full to parents with care of children receiving welfare payments. New Zealand stands out internationally in not passing on any child support, unless child support payments exceed welfare payments (Fletcher 2017; Skinner et al., 2017).

Several studies from the United States suggest that pass-on policies increase the likelihood of child support payments being made and the amount paid. This behavioural response increases child support payments received, in addition to the purely 'mechanical' income-raising effect of the pass-on.

- In an experimental study, Cancian et al. (2008) found that, compared with a control group that received a partial pass-on of child support, **when the full amount of child support was able to be passed on this was associated with increases in the percentage of fathers paying child support and the amount paid and received**. The effects were particularly large for those new to the welfare system. Paternity establishment occurred more quickly for children in the full pass-on group.
- Quasi-experimental studies have compared outcomes as policies varied across the United States and over time. Cancian et al. (2007) found that **disregarding a larger amount of child support when calculating benefit entitlements was associated with a statistically significant increase in the rate of paternity establishment and, in two of the four models estimated, a small statistically significant increase in the proportion of cases with child support payments**. Cassetty and Hutson (2005) found that an increase in the maximum amount of the child support disregarded was associated with an increase in the share of the Temporary Assistance to Needy Families caseload with child support payments.
- In a quasi-experimental study of district-level administrative data, **transitioning from a policy of no pass-on to a policy of partial pass-on was estimated to increase payment rates and the amount of child support receipt** (Lippold et al., 2010).

In New Zealand, recent analysis suggests the mechanical effect of a pass-on would improve outcomes following separation in terms of reducing the decline in living standards, ameliorating poverty rates, and reducing the gap in the impact of separation between parents with care of children (mostly women) and paying parents (mostly men) (Fletcher, 2017).

A pass-on policy would have fiscal costs, although offsetting savings would be likely, both through reduction in payments such as Temporary Additional Support and main benefits (if child support passed on was treated as assessable income), and through improved child outcomes and a reduction in poverty-related service costs (Expert Advisory Group on Solutions to Child Poverty, 2012). Studies from the United States suggest the potential for additional fiscal cost offsets as a result of a behavioural response that boosts child support payments made.

Improved facilitation

An Early Intervention Programme (EIP) was piloted and then rolled out for all clients with section 70A benefit reductions in the 2000s.⁷ The EIP was an administrative effort to reduce numbers affected by reductions and increase child support claims. The EIP provides some useful insights.

- Interview responses of parents affected by the pilot suggest low awareness and understanding of benefit and child support systems, and that some will be unable or unwilling to name the other parent regardless of the sanctions, facilitation, or financial incentives that are in place.
- Trends in section 70A status that accompanied the roll out to all clients suggest that a facilitative approach similar to the EIP could increase child support claims among those who are able and willing to make an application, although it is important to note that the success of this approach in the absence of section 70A reductions is uncertain.

About the Early Intervention Programme

The EIP involved a visit by a Field Officer to discuss the section 70A benefit reductions being applied to a client's benefit, and identify steps clients could take to have the reduction removed. The visits were conducted in the client's home or in a private space at their local Work and Income service centre. The EIP was a facilitative approach to encouraging sole parents to apply for child support, and increasing awareness of the benefits of making an application, the requirements of the section 70A policy and provisions for exemption. It provided a private environment to discuss issues that are sensitive and complex.

The EIP was piloted from July to September/October 2003 and rolled out to all section 70A clients from July 2004 to June 2005. It remained in place and applied to all new clients with a section 70A benefit reduction being imposed until 2009. Currently, there is no programme of this nature, and conversations about naming the liable parent and applying for child support take place as part of more general case management.

⁷ The broader Early Intervention Programme was primarily designed to detect fraud. The Programme identified particular benefit or client groups, and ran for three months per group, where randomly selected clients were interviewed by Field Officers. The goals of the interviews were to: (i) ensure that clients were receiving their full and correct benefit entitlements; (ii) remind clients of their obligation to keep the Ministry informed of any changes in their circumstances; and (iii) identify any cases of suspected benefit fraud or other entitlement discrepancies that may require further action to ensure payment of full and correct benefit entitlements.

Interview responses

As part of the EIP pilot, around 4,000 sole parent beneficiaries subject to a section 70A benefit reduction were asked a number of questions that aimed to gain an insight into their circumstances to help inform policy decisions.

Responses showed that 20 percent of clients were unaware that they had a reduction imposed. Only half knew about the steps to remove the reduction. Less than half knew what exemptions were available. Two thirds did not know that child support would be paid directly to them once they were off benefit.

Respondents gave many reasons for not establishing the paternity of their child and/or applying for child support. The most common group of reasons related to decisions or actions of the other parent (eg denying paternity). The next most common reasons related to the respondent not knowing who the other parent was (eg due to the casual nature of the relationship).

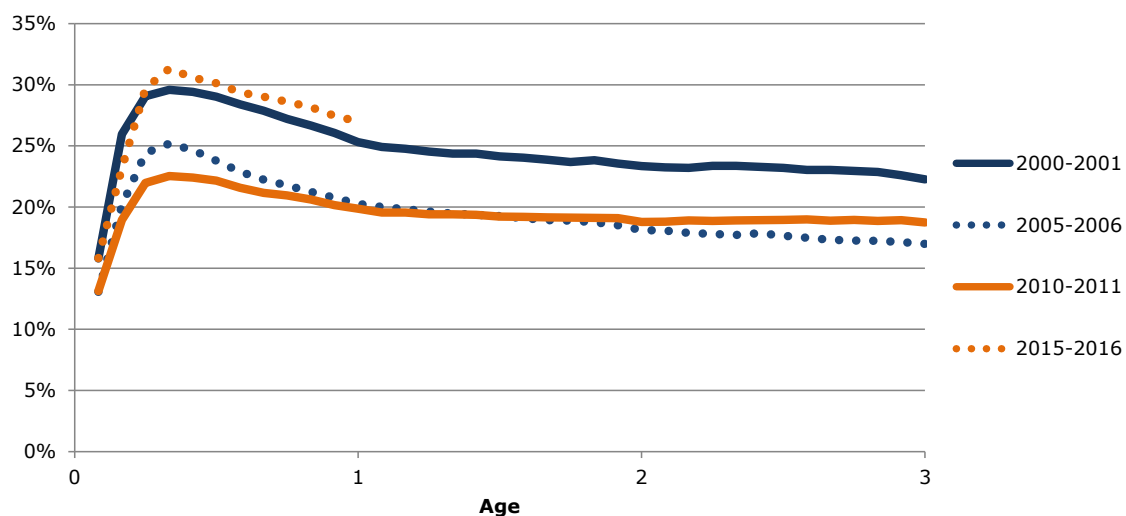
A third significant group of reasons related to the respondent wanting to avoid the other parent having contact or rights over the child, or seeing the liable parent as an unsuitable parent. Some clients reported fear of violence towards themselves or their child, a bad experience with the other parent, or unwillingness to alienate or jeopardise the relationship with the other parent (which may have reflected reluctance to disrupt a marriage). A small proportion (5 percent) said they did not report not applying for child support because they had a private arrangement with the other parent.

As a result of the information gathered in the pilot, two new exemptions were put in place: fear of violence and compelling circumstances.

Changes in status following the extension of the EIP

Figure 6 compares the cohorts of children born in 2000-2001 (before the EIP), 2005-2006 (when the EIP applied to all section 70A clients) and 2010-2011 and 2015-2016 (after the removal of the EIP).

Figure 6: Percentage of children of sole parent benefit recipients who are affected by section 70A reductions at each month-end to age three, by year of child's birth



Source: MSD administrative data.

Comparing the 2000-2001 and 2005-2006 cohorts suggest the programme was associated with a substantial reduction in the proportion of children in sole parent families supported by benefit who were affected by section 70A reductions. At age three, the proportion affected was 24 percent lower for the 2005-2006 cohort than the 2000-2001 cohort (17 percent compared with 22 percent).

Comparing the 2005-2006 and 2010-2011 cohorts suggests the removal of the programme was not associated with an immediate marked rebound in the proportion affected by reductions (the proportion of children in sole parent families supported by benefit affected was 19 percent for the 2010-2011 cohort compared with 17 percent for the 2005-06 cohort at age three, little different at age one, and actually lower before age one). This may reflect continued effects of the EIP on case-management practice and clients' understanding and knowledge, or other changes.

The proportion of the 2015-2016 cohort affected by the reductions in their first year was more similar to levels seen for the 2000-2001 cohort. At three to six months of age, more than 30 percent of children of sole parent benefit recipients were affected by section 70A benefit reductions.

Most children in the 2015-2016 birth cohort passed through these age groups before some efforts to improve the administration of section 70A in 2017. It will be useful to update this series to include the 2017 birth cohort once these children have all reached one year of age.

These trends suggest facilitation could increase child support claims. It is not clear whether, in the absence of benefit reductions, the response would be as large as that suggested when comparing the 2000-2001 and 2005-2006 cohorts.

Like New Zealand findings from the EIP pilot, United States studies show low levels of awareness of child support rules and their administration (Cancian et al., 2008; Lippold et al., 2010). Combining a pass-on policy with improved facilitation may provide the most effective approach to promoting child support claims in the absence of benefit reductions.

These options, and options for the treatment of income received as a result of a pass-on in the abatement of benefits, could be explored in more detail.

Insights from recent qualitative studies

Interviews with nine Pacific mothers (Keil & Elizabeth, 2017) and recent analysis of the E Hine in-depth qualitative interviews with 43 young Māori mothers (Cram et al., 2019) suggest that in some respects there may be an uncomfortable cultural fit between the lives, relationships and preferences of mothers and the requirements and assumptions of the current benefit and child support systems.

For Pacific mothers in Keil and Elizabeth's (2017) study, fathers making a financial contribution was important, and some mothers used the formal child support system when they felt they had no other option. However, pursuing formal child support could work against their sense of what being a good mother and a good Pacific mother entailed.

- Being a good mother meant negotiating with fathers in order to keep fathers involved in their children's lives. Informal child support payments, even when

low, were a means of facilitating a positive relationship between the father and their child. The authors suggested that this motivation was gendered, but unlikely to be culturally specific.

- Being a good Pacific mother meant also behaving in a way that kept intact wider family connections, solidarity and pride –

"...construction of family obligations within Pacific cultures means that Pacific mothers who separate from the fathers of their children should be able to rely on their own kin to provide them with financial support if that is necessary. Thus, for Pacific mothers to pursue formal child support risks not only their own moral identities but also the moral identities of their extended kin" (Keil & Elizabeth, 2017, p.44).

Similarly, and in common with other studies (Collins, 2010; Waldegrave et al, 2012), the E Hine study highlights the importance of whānau relationships, and the stronger emphasis on wider kin-based systems of support for children and mothers in the Māori world (Goodger, 1998).

There is currently little good information about living arrangements and income sharing practices and how these vary across cultural groups in New Zealand (Fletcher 2018; Keil & Elizabeth, 2017).

Exploring the circumstances and experiences of parents and children in the Growing Up in New Zealand study could provide useful insights into practices and preferences, and help inform the development of policy that aligns with contemporary norms.

Conclusion

Section 70A benefit reductions disproportionately affect children already at high risk of persistent poverty. A developing evidence base suggests that outcomes for some of the children affected are likely to be being harmed by the loss of family income associated with the reductions.

There are some promising indications that alternative approaches may be effective in encouraging child support claims in the absence of section 70A. Further investigation of a child support pass-on policy may be a mechanism for providing greater certainty on the benefits, cultural fit, and costs of this approach. Design options include treating child support received as assessable income for the purposes of determining the level of benefit payable, or disregarding it altogether. A full policy and cost-benefit analysis of the range of options is not possible here. A trial of a preferred pass-on policy combined with improved facilitation could be useful, together with qualitative evidence of parents' experiences of these changes.

In this research brief, our ability to explore the circumstances of the children in families affected by section 70A has been relatively limited. In future, making de-identified information on who is affected available in the Statistics New Zealand Integrated Data Infrastructure would enable a better understanding of this population. It may allow researchers to examine the impact on children and parents of removing section 70A benefit reductions, and to assess the impacts of alternative approaches.

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Appendix One: Oranga Tamariki administrative data on family violence incidents attended by police

Changes in police procedures during the late 1990s and early 2000s saw the introduction of notifications to Child Youth and Family (CYF – the service that pre-dated Oranga Tamariki) relating to children present or normally resident at the scene of family violence incidents attended by police (“PFV notifications”).

The new procedures involved collecting information about children present or normally resident at the scene, and then forwarding this information to CYF. They were gradually rolled out across New Zealand from 2000-2005, with a high degree of variation in volumes across sites.⁸

Up until mid-2010, all of these reports were treated as notifications (and recorded as PFV notifications).

A further change in procedures for handling police family violence incidents where children were present or normally resident was introduced in July 2010. From that date, following attendance at an incident, police could elect to either:

- make a report of concern to CYF (where a child was assessed as needing an immediate CYF response), or
- make a referral to a local Family Violence Interagency Response System (FVIARS) team. Consideration by that team would then result in either:
 - a report of concern to CYF where a child was assessed as needing an immediate CYF response
 - details of the case being faxed to CYF for their information.⁹

Faxed (or emailed) details of the case from FVIARS teams are currently received by the CYF National Contact Centre and manually entered into CYRAS as either reports of concern or, if it was sent only for CYF’s information, as “contact records”. Those recorded as contact records are reported separately by CYF as “Police family violence referrals”.

The effect of the 2010 change was to, therefore, spread what were previously all reported as PFV notifications across PFV reports of concern and contact records (PFV referrals).¹⁰

⁸ Mansell, J. (2006). The underlying instability in statutory child protection: Understanding the system dynamics driving risk assurance levels, *Social Policy Journal of New Zealand*, 28. Available from: <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/journals-and-magazines/social-policy-journal/spj28/index.html>

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