

**To: Social Services and Community Committee**

**From: Leanne Inder, Co-Chair Birthright New Zealand**

**Date: 20 January 2021**

**Submission: Supplementary Order Paper (SOP) 538, Child Support Act 1991**

## **Birthright**

Birthright New Zealand is a registered charity with 11 affiliate organisations throughout NZ. Birthright has been operating in New Zealand for over 65 years. We work to strengthen and enrich the lives of children and families. We specialise in working with families led by one person. Our vision is for nurtured, resilient, inspired children and families.

Birthright delivers a variety of social services to children and their families. We work closely with other community service providers to ensure children and families who need support can access the appropriate services for their needs.

It is Birthright's intent to raise the awareness with government on the issues facing families led by one person and advocate for the needs of families led by one person. The matter of child support is a contentious one for many including the receiving parent, the paying parent and the government.

We acknowledge the important work being undertaken by Inland Revenue to encourage liable New Zealanders to meet their child support obligations. We also acknowledge the attempt to simplify the administration of child support, which is in itself a complex and challenging area to navigate. Our CEO has been away on leave until 20 January. We would be very grateful for the Committee to grant receiving a late submission regarding such an important matter for single parent led families.

## **The New Zealand Child Support Landscape**

Families led by one person are no longer the exception in New Zealand, but they do have unique needs which are often not well understood or met by government policy. Many policies are focussed on the needs of two parent nuclear families. The child support system primarily affects couples who have separated and parent apart some of whom don't require the intervention of IR to administer, but many of whom do rely this support to ensure that obligations are met.



Sole parents in New Zealand have a diverse demographic make-up, in part because of the variety of pathways into sole parenthood. These range from beginning parenthood as a sole parent, through to transitioning to sole parenthood following separation or divorce; bereavement; imprisonment of a partner; or moving to a long-distance relationship. The diversity of pathways into sole parenthood mean that sole-parent families differ in the levels of personal, financial, and social resources they can draw on to overcome disadvantage. (Superu 2018).

Why is child support such an important matter for Birthright and single parent led families, in New Zealand and why should it be an important aspect to get right for the Social Services and Community Committee, Inland Revenue, the social sector agencies and New Zealanders?

- New Zealand has the third highest rate of single parents in the OECD.
- 84% of single parent led families are led by women, and of those women over half are in paid employment which is often low paid relative to men.
- Sole parents (particularly those living without other family members or adults who can contribute to the household income) are more likely than coupled parents to have incomes below 60% of the median household income, after accounting for housing costs. This is an indicator commonly used to assess poverty.
- Around one in two mothers have spent some time as a single parent by the time they reach 50, and a third of children have lived with a sole mother for some time by age 17.
- In New Zealand, a third of children would have lived in a single parent family by the age of 17 years.
- The majority of the receiving parents who are owed outstanding child support (the current \$320m core child support liability debt excluding penalties) are female.
- New Zealand performs particularly poorly against other OECD countries for its child poverty rates for single parent families. The poverty rate for children in single-parent households was high at 69 percent.
- Single parents tend to have lower rates of employment than two parent families leading to lower incomes, more beneficiary recipients and high child poverty rates.
- Children in one parent households are 6 times more likely to live in poverty than those in families with two or more adults<sup>1</sup>.

Today, approximately 27% of families in New Zealand are led by one person. A family structure report for the OECD has New Zealand with the highest projected increase (71 percent) in single parents by 2025 – 30.3 percent. This statistic is projected to increase to 40% of families by 2030. We need to get it right when it comes to child support, and the way in which single-parent led families are supported to be successful.

The changing makeup of our families and associated projected growth in single parent families highlights the importance of getting the child support system right. For many families, child support will be central to the accurate and reliable financial picture they have – whether they are the Paying Parents (the ‘non custodial’) or the Care Giving Parent in receipt of child support (the ‘custodial’ parent). The no provision of child support from parents who, despite being

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<sup>1</sup> Multiple disadvantage among sole parents in New Zealand, Social Policy Evaluation and Research Unit, Wellington Superu Report, 2018



liable, do not pay has a significant impact on these families and their day-to-day financial security and certainty.

As our wider society shifts towards an approach where a child is at the centre (our justice system, and child protection, so too can Inland Revenue in its approach to the administration of child support. Afterall, child support is intended to do precisely that – to support children.

While this submission relates specifically to the 538 SOPs namely the treatment of penalties pre 2021 and discretionary relief to paying parents, we also focus more broadly on the issues with current debtors, the impact on the receiving parent and the criticality of IR to understand this and explore options which the Act may enable prior to any decisions being made about the cancellation of pre 2021 penalties. We support Inland Revenue making it easier for paying parents to do the right thing and to make meeting their repayments easier but caution that this should not come at a cost to the receiving parent. We do not believe that cancelling child support penalties should be the first response to child support debt. Certainly receiving parents receive no discretionary relief from the day to day costs of raising a child – irrespective of their financial circumstances. We pose the question, why then should a paying parent be afforded that option?

It is important to highlight that unfortunately the current state child support system, including many of the suggested changes being proposed by Inland Revenue focussed predominantly on the needs of the Paying Parent (child support debtor). Our strong belief is that the child support system needs to take a positive reinforcement approach for it to become more successful with collection in the first instance, but that IR needs to understand the impact of non-payment of core child support and any penalties which result have on the receiving parent and child/children.

The proposal to wipe pre-2021 penalty debt without consideration of the impact of the unpaid child support on the intended recipients is not the right strategy. The attitudes towards payment of child support in the first instance need to be refocussed on the benefits of paying child support on the actual child. This can be achieved using a range of positive reinforcement strategies (which are consistent with standard debt collection methods) and raising the awareness and recognition of the impact of the non-payment on the child that that this would be a step in the right direction towards shifting the culture from child support payments being a compliance activity which is discretionary ('pay it when you can') to an investment which benefits of the child. The day to day needs of children aren't discretionary and shouldn't be treated as such.

However there is an opportunity for IR to not only improve the efficiency and effectiveness with the administration of child support, but also to shift the culture of the perception and attitudes around child support with the paying parents and debtors.

Research in the UK, Canada and Australia supports the fact that if financial support is being reliably provided by the paying parent, that there is a positive correlation with the increased ease of contact between children and their paying parent, and better quality of contact with both parents due to low conflict, and lower stress levels experienced for the parents and children.

Systemic barriers result in poor outcomes for too many children growing up in single parent families. Income (including child support), employment, housing, judicial processes, physical



and mental wellbeing and education are just some of the areas where single parent families face systemic barriers that impact on their success. Obtaining more certainty regarding child support income would greatly assist single parent led (and blended) families.

Single parent led families are often more vulnerable to a range of mutually reinforcing negative impacts which make their role, raising children, harder. One of these is the unreliability of child support income and the stress that this causes. The lens needs to be broader than simply the unpaid debt to the Crown, and the discretion to wipe interest and through doing so, positively reinforcing the discretionary payment of child support.

The demographic characteristics of single parent led families in New Zealand is varied as detailed in the table below.

**TABLE  
02**  
Demographic characteristics of sole parents in New Zealand

Source: Combined 2014 and 2016 General Social Survey iterations

		Proportion of total sole parents (%)	Rate of multiple disadvantage (%)
<b>Total sole parents</b>		<b>100</b>	<b>46.7</b>
<b>Age of sole parent</b>	<i>Under 30</i>	17.9	69.6
	<i>30 - 39</i>	26.5	51.2
	<i>40 - 49</i>	34.3	36.6
	<i>50 and over</i>	21.3	38
<b>Age of youngest child</b>	<i>0 to 4 years</i>	26.1	62.8
	<i>5 to 12 years</i>	42.4	49.0
	<i>13 to 17 years</i>	31.4	31.4
<b>Family ethnicity*</b>	<i>Māori</i>	43.3	54.9
	<i>Pacific</i>	16.6	60.2
	<i>Asian</i>	8.2	43.3
	<i>European</i>	72.2	42.2
<b>Gender of sole parent</b>	<i>Male</i>	14.0	35.6
	<i>Female</i>	86.0	48.5
<b>Number of children</b>	<i>One child</i>	38.1	42.3
	<i>Two children</i>	34.4	46.8
	<i>Three or more children</i>	27.5	52.6

\*Note: Proportions for ethnicity do not add up to 100 because family members can identify as having multiple ethnicities. A description of how family ethnicity was measured is provided in Section 3.3. Unit of analysis.

It is only with reliable financial/income support that single parent families will be able to flourish and in doing so reduce the poverty experienced by children, and the stressors associated with unpaid child support while Care Giving Parents (CGPs) still being required to meet the day-to-day needs of the children.

Our submission focusses primarily on parents who are eligible to receive child support payments (e.g. those in paid employment or on a Supported Living Payment) and who, due to their paid work status and depending on income may be eligible to receive Working For Families (WFF) tax credits or In-Work tax credits. It is important to highlight that parents who may currently be living on a state-funded benefit important stakeholders to consider.



## General Comments

We believe that the engagement IR has undertaken with paying and receiving parents is not sufficient to support the recommendations which have been made. The Child Support Amendment Bill was introduced in March 2020 with recommendations made which were based on qualitative interviews carried out by Inland Revenue which informed the proposed changes. Based on the Child Support Business Transformation report<sup>2</sup> provided to Treasury, as at 31 May 2019 the child support customer base was made up of:

- 164,000 liable parents (including 29,700 with debt only);
- 135,500 receiving carers; and
- 182,800 children<sup>3</sup>

However in formulating their recommendations for the changes to the Child Support Act 1991 the interviews which IR undertook appear to have included a dis-proportionately small sample size<sup>4</sup>;

- 27 customers, which comprised of;
  - 21 liable parents and
  - only 6 receiving parents.

This appears to have significantly distorted IR's summary findings which have been represented in the report in a way which does not accurately reflect the voice of receiving carers. An example of this are the summary comments made in the above report where Inland Revenue has represented the views of the 21 liable parents (whose common voice related to more flexibility and longer timeframes to pay) which contradict the voices of receiving parents. This may be due, in part, to the fact that the receiving parents represented a significantly smaller sub-group of interviewees than paying parents, and views being summarised as the representative view of the sample group, when this is not accurate.

Unfortunately some of the broader recommendations which have already been accepted regarding changes to the Child Support Act have not considered this context.

In addition, participants were not geographically representative given the relative number of liable and receiving parents in New Zealand. The 27 customers interviewed were located in only 5 locations Auckland, Gisborne, Palmerston North and Christchurch. It would be reasonable to expect that Whangarei (Te Tai Tokerau region), Taranaki, Wellington, Otago and the West Coast and Nelson Bay regions would be represented in the feedback as the economic profile in each of these locations varies significantly and therefore may influence the views of paying and receiving parents.

Our recommendation is that before any further changes are being considered to be made, that a representative sample size of an equally distributed. Given the investment in this programme of work, the number of liable and receiving parents, the significance of the impact of the proposed changes, combined with the resources which Inland Revenue has access to, this should be done with priority, certainly prior to April 2021, when the the child support scheme

<sup>2</sup> <https://www.treasury.govt.nz/sites/default/files/2020-03/ria-ird-csbt-mar20.pdf>

<sup>3</sup> <https://www.ird.govt.nz/about-us/publications/research-evaluation/child-support-penalties-and-incentives>



will move to new systems and processes, in order to obtain a more comprehensive and accurate view.

## The Impact of Non-Compliance on the wider whanau

IR's research with parents who were in debt highlighted emotional and financial stress of the debtor. However, IR's research did not look at the emotional and financial stress which is experienced by the receiving parent when they do not receive the intended child support, nor did it assess the impact on the child. In New Zealand 84% of care giving parents are women. We know from extensive research that the post a relationship break-down males goes on to lead a more financially buoyant life earning higher incomes and accessing better opportunities in employment and better health outcomes. Women, however, don't fare the same outcome in many cases, experiencing significant hardship and disadvantage. While parents are increasingly looking at shared care arrangements, we have far to go before the childcare responsibilities post relationship breakdown will be equally shared between parents. Many women take the majority care giving role in modern day New Zealand, and the demands of parenting the majority of the time.

Current child support debt is \$1.014B (as of March 2019);

- 68% of the \$1.014 billion comprises largely of debt relating to incremental penalties
- 32% of the outstanding debt which relates to around \$320 million of unpaid child support which a receiving parent (and child) have not received.

At no point in the research has Inland Revenue explored the impact of this debt (financial, health and wellbeing, opportunity costs) on the receiving parent, or the children. We believe that the debtor profile needs to be better understood and categorised, and for specific management strategies put in place to address the debt, similar to any standard debt collection scheme approach.

Based on the current recommendations situations where the paying parent has/is making a concerted effort to avoid their child support obligations have not been taken into account. This may relate to situations where the paying parent has access to funds but the parent is being uncooperative, as well as situations of genuine financial stress. Either way, unpaid child support places the financial burden on the receiving parent (and often the child) creating the receiving parent financial stress, anxiety and worry. Financial uncertainty is a key contributor to mental health and wellness decline.

In situations where these low compliance paying parents are not upholding their responsibilities as a parent to meet the costs of the child, we consider a hard-line approach needs to be taken to demonstrate the no-tolerance approach of the government.

Where there are parents who are experiencing genuine financial difficulty, these parents should be extended discretionary time to work out a payment plan and any child support should be paid to the care giving receiving parent as a priority.





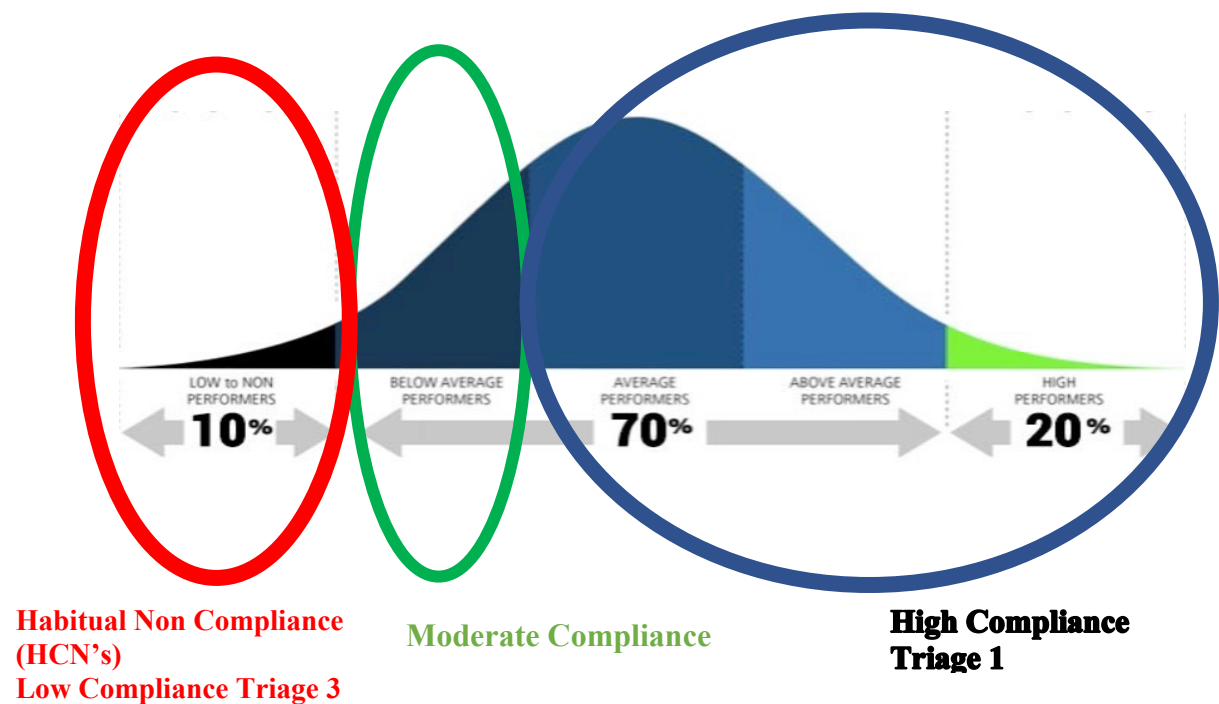
## The Client Base

Inland Revenue is often involved in the administration of child support between parents in situations where there has been a break down in the relationship requiring the intervention of a third party to assist with administering payment between the parties. There is often very little trust between the parties, which is why IR is engaged.

For the purposes of this submission a simplified bell-curve has been used to represent the PP clients IR would have involvement with which would follow the normal distribution for a standard population.

High Compliance PP's require very little of IR's time encouraging payments to be honoured. The focus for IR will be on HCNs and Moderate Compliance customers.

### Example Bell Curve of IR Paying Parents in New Zealand



Debtors should be categorised based on the nature of the debt, level and attempts made to address the child support debt eg:

- Triage 1 debt
- this would relate to high compliance customers where the non-payment has been an anomaly.
  - IR should have the discretion to consider the individual circumstances which led to the unintended non-payment, and have the ability to cancel this debt if deemed appropriate.
  - These customers could have the ability to apply to have their debt cancelled.
  - Reward strategies used to promote engagement and payment.

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- Triage 2 debt
- this would relate to ongoing issues with payments on an annual basis eg up to 6 months of failed child support payments per year.
  - Any penalties applied about be passed on to the receiving parent.
  - Checks with SWA across the agencies would apply to ensure the reliability of any repayment arrangements.
  - Reward strategies used to promote engagement and payment.

**For Low Compliance Customers**

- Triage 3 debt
- this would relate to long standing debt where the party has refused to engage successfully with IR.
  - The Family Court can be used more actively for these non-compliers.
  - A direction could be made by the Commissioner instructing the case to go to the Family Court for assessment and management and a legally binding court order formed as an outcome. This would enable the receiving parent to be able to take adequate steps to legally enforce the order.
  - IR to work with the Social Wellbeing Agency (SWA) in the cross-sector debt initiative to better understand the level of individual debt a person has, and a strategy to work with them to meet their financial commitments.

Compliance Type	DRAFT Defining Characteristics	DRAFT Collection Strategy
High Compliance <i>Triage 1</i>	<p>Low cost for IR to administer.</p> <p>These clients regularly pay child support liability with little or no follow up required.</p>	<p>Little to no involvement from IR.</p> <p>Low-cost methods of positive reinforcement of payments via system functionality with these clients eg:</p> <ul style="list-style-type: none"> <li>• Text communication thanking them for proactively meeting their Child Support liability.</li> <li>• In system visual/online aid eg the annual cost of food, clothing in a graph which is populated with each payment made.</li> </ul>
Moderate Compliance <i>Triage 1-2</i>	<p>Moderate level of involvement from IR.</p> <p>These clients may be new to the scheme and arranging their payments. Clients might also be existing scheme</p>	<p>Moderate-cost methods of positive reinforcement via system functionality with these clients e.g.:</p> <ul style="list-style-type: none"> <li>• Text communication thanking them for</li> </ul>





	members which are experiencing unplanned/unanticipated financial difficulties which are impacting their ability to meet their child support obligations.	<p>proactively meeting their Child Support liability.</p> <ul style="list-style-type: none"> <li>• In system visual/online aid eg the annual cost of food, clothing in a graph which is populated with each payment made.</li> <li>• Reminder texts regarding payments due 2 weeks prior and encouraging proactive engagement in the event of any issue.</li> </ul>
Low Compliance (HNCs) <i>Triage 3</i>	<p>High levels of involvement from IR.</p> <p>High-cost customer, low return.</p>	<p>High commitment debt collection strategy required.</p> <p>This group should be categorised in terms of their debtor profile;</p> <ol style="list-style-type: none"> <li>1. Likely to become high non-compliance</li> <li>2. Likely to become Low Compliance without intensive engagement.</li> </ol> <p>Likely to remain in debt with little to no engagement from client. Penalties should be moderate for this group, but still charged.</p> <p>If there is a genuine and demonstrable evidence of child support payments being made.</p> <p>Use the Family Court referral process which is able to be enacted via the Act to assess in detail the actual financial situation and make a legally enforceable order.</p>

## Child Support – Supporting the Children

Birtright acknowledge that it is challenging to find ‘one right way’ to administer a scheme efficiently, effectively and fairly for all parties. The challenges Inland Revenue experience with the effective and efficient administration of the Child Support Act are also recognised. It is also acknowledged intention for the suggested amendments are intended to improve the



administration, reduce complexity, improve and increase compliance with relation to keeping Paying-Parents engaged, and through doing so improving the likelihood of Paying-Parents (PPs) to meet their child support liabilities.

However, child support should be, as the name suggests, provided to support children. However unpaid child support and penalties are currently by IR treated as a Crown debt. Child support is a *legislative entitlement*, intended for parents to do their part to meet the day-to-day costs of their child/children. The debt is to the receiving parent who is impacted by non payment. The current culture in New Zealand regarding child support avoidance as being acceptable cannot continue. The suggested amendments to clear penalties and debt accrued due to non-payment of core child support go no way to highlighting is that unpaid child support liabilities negatively impact the receiving parent, and by association, the child or children who should be being financially supported.

There is currently \$320 million dollars in unpaid child support in New Zealand, with the highest individual debt at over \$1 million dollars from one parent. Many single parent-led families who are eligible to receive child support payments rely on the provision of financial support from the other parent in order to meet their collective responsibilities for their child/children. When it is not paid, the impact can be significant for many families. Recent data from the New Zealand Household Labour Force Survey (June 2020) shows that nearly 20% of single parents do not have sufficient money to meet every day needs.

A further complication for many care giving parents is that while child support is included by IR in a person's annual income, even if there is a track record of that child support not being paid. This results in further financial disadvantage where families should be receiving child support payments (but aren't) and find themselves not being entitled to Working for Families tax credits or In-Work tax credits until the end of the financial year. This places them in even more of a financial struggle due to the non-payment of the paying parent.

## **What is the direct and indirect cost of unpaid child support on the receiving parent and child, and who meets the shortfall?**

In our experience it is all too often the care giving parent (the receiving parent) who meets the financial day to day needs when there in a non-compliant parent. This places the responsibility and an unacceptable burden on one parent to meet the financial costs of a child. This is not currently recognised by the current (or proposed future) collections and penalties process and their recommendations to reduce the penalties from the paying parent.

We are in support of transitioning to an incentive-based scheme to keep paying parents engaged in the system, and children receiving the financial support they need. We acknowledge that while the non-payment penalties snowball, resulting in the debt becoming challenging for the parent in child support debt to repay, and the disengagement of the debtor from the child support scheme. Unfortunately, there is a cohort of liable parents (habitual non-complier, HNCs or 'low compliance' paying parents) who, despite extensive efforts from IR to aid with ensuring child support is paid, do not meet their obligations. These are a high-cost (time, effort and dollar cost) group for IR to pursue, often with little success.



Some of these HNC parents go to great lengths to avoid their child support obligations. There are liable parents who are experiencing genuine difficulties with meeting their obligations, and who will require high engagement. Some of these debtors may be mid to high income earners and business owners use deliberate avoidance strategies such as bank accounts not being held solely in their names, the creation of companies and trusts in an effort to minimise their obligations. These latter groups require different tactics and strategies to encourage enforcement of child support being received. This can be resolved through the court process.

Managing HNC can be managed effectively using standard debt collection strategies. If New Zealand is committed to ensuring that we change our social fabric of our society and we truly recognise the responsibilities parents have to their children by meeting our collective responsibilities regarding raising our children, then we need to be taking habitual non-complier (HNCs) of meeting their child support obligations more seriously. HNC's actions are consistent with Domestic Violence in the form of financial abuse (through withholding of money). We cannot be seen to be in support of habitual non-compliers through the termination of penalties for this category.

Currently penalties incurred go to the Crown. Rather than cancel these penalties, we recommend that any penalties which are collected from this HNC cohort should be passed on to the receiving parent who have incurred the impact of the non-payment and opportunity cost of using their own finances to meet the interim shortfall. This includes any pre-2021 penalties.

This will;

- (b) recognise the use of money cost of the delayed payment on the victim (the receiving parent) and
- (c) disincentivise punishing the receiving parent by rewarding the receiving parent.

Birtheright would be happy to work with IR and other domestic violence specialists to help to better define the criteria of this HNC sub-group.

Further, we believe that IR should be able to go further to obtain and secure access to funds from the HCN parent where there is a demonstrable avoidance from meeting their obligations willingly. Currently paying parents who are habitual non-compliers use a range of strategies to avoid child support commitments including having bank accounts in dual names making it unlawful for IR to access funds, setting up trusts and companies to restrict access to funds and minimise actual income.

In these high debt instances, rather than cancelling the penalties IR should be able to lawfully access other sources e.g. centrally held KiwiSaver funds from the HNC parent to meet the child support debt. The rationale for this is the concern that the paying parent's future financial position continues to be improved while not meeting their current child support obligations. This would form another source of funds to be used in Tier 3 debt situations.

Many receiving parents who are living week to week struggle to plan for their future retirement as all their disposable income goes towards meeting the day-to-day costs of their children. This will result in a significant longer-term liability on the government.



## Recommendation: 'Use of Money Interest' (UOMI)

In the event of a paying parent's failure to pay, an opportunity cost or 'use of money' cost is incurred by the receiving parent through non payment of the PP, creating further demand on the receiving parent. If IR intends to treat unpaid Child Support similar to the way in which they treat tax in terms of the 4 year window of review limit, which appears to be the case based on the current drafting, then the 'Use of Money Interest' (UOMI) interest costs through the PP not honouring their financial obligations should be passed on to the receiving parent. If child support is under paid, interest would be charged in the same way as is applied for income.

This is consistent with the approach taken by other under payments relating to income tax and achieves the following;

- Recognises that the receiving parent has incurred the opportunity cost of not having access to which they are legally entitled to be in receipt of.
- Recognises the financial impact on the receiving parent.
- IR could, at their discretion, charge a penalty with interest (use of money interest, or UOMI). This would relate primarily to Tier 3 debtors.
- The interest rates are set by government and are based on market rates, so they vary over time.
- This could get passed on to the receiving parent once collected, with IR charging a small administration fee for the collection similar to debt collection agencies.

When interest rate started	Debit rate
8 May 2020	7.00%
29 August 2019	8.35%
8 May 2017	8.22%
8 May 2016	8.27%
8 May 2015	9.21%

Similar to the approach with unpaid tax, if there is underpaid child support, interest would:

- start on the day after the original due date for the amount owing, or
- start from a new due date (if you received Working for Families Tax Credit and you meet specific criteria to have a new due date)
- stop on the day the overdue balance (including interest) gets paid in full.

**Source:** <https://www.ird.govt.nz/managing-my-tax/penalties-and-interest/interest-on-overpayments-and-underpayments>



Like any debt collection scheme where as opposed to removing all of the penalties, which relation to any unpaid Child Support liability, the debt caused by a Low Compliance Paying Parent would be recognised by IR and in some way, addressed (if appropriate.) Similar to the UOMI approach, IR may be able to write off use-of-money interest based on reasonable grounds.

### *For Low Compliance Customers*

It is our concern if penalties are merely cancelled that this sends the wrong message regarding child support non-compliance and it will perversely reinforce and reinforce the fact that non payment is acceptable. The fact that IR *can* write off all penalties currently shouldn't enable this to become common practice for the agency merely to simplify the administration of the system.

It is important for the Committee to be mindful of the fact that there is an element of domestic violence often that occurs with relation to the non provision of financial support from a paying parent to a caregiving parent. Through removing any penalties from HNC paying parents this would reinforce how acceptable this type of conduct is.

We believe that any penalties that are attributed to unpaid debts should be passed on a receiving parents. IR needs to recognise the financial stress or and financial demand on the receiving parent from child support debt. We strongly believe that a strategy such as this would enable the recognition of the role that the caregiving parent has, and the frustrations that they often experience when Child Support isn't paid despite reasonable steps taken by IR to obtain payment. It would also rebuild confidence of receiving parents who have over the years watched from the sidelines as a paying parent continually does not meet their child support obligations and very little is done about it.

It is accepted that in some circumstances, the financial situation of the individual will contribute significantly to your ability to pay and these should be taken into consideration in conjunction with the impact of the non-payment on the receiving parent and child. Write off's should only occur for those who are demonstrably making an attempt to address their debt.

The cross-agency debt picture can be better understood through the work with the Social Wellbeing Agency cross-agency debt initiative which is being and as data sharing across agencies is improving.

The focus on any strategy should be from should be on simplicity refrain from using technical language and ensure that the experience is consistent. The collections process and it succeeds as a sum of total of many different customer touch points, every interaction and then revenue has all the data should be, and can be successful, whether it's online or offline via an app, or a desktop or a cell phone. Navigation must be simple.

## **How IR can make an positive impact beyond the legislation**

Inland Revenue has taken positive steps around the rebrand in taking a customer centered approach with New Zealand as the personality of the IR brand will be needs to be consistent credible and compelling. This can be extended into the culture of child support collection to create some success.



Richard Fowler is known as the father of behavioral economics, a US academic who was awarded a Nobel Prize for his work. His work highlights that customers who are debtors don't always make rational decisions and may need help with making good choices which is reflected by the current drafted amendments. This is where IR's customer service, culture can have a more pronounced impact on the success of the collections process.

Language used and the culture of child support debt can have one of the biggest positive impacts. The tone of voice, and the user experience both have a significant impact around the likelihood of success with collections. The significant investment and new technology and capability within Inland Revenue combined with the modern customer centred tone, and client centered interface will be useful in aiding the success of the child support process. This should be explored using the new system before any future decisions are made regarding the broad-brush cancellation of any penalties.

In addition, offering simplicity, like self service channels and simplified options for customer groups segmenting your customers and adapting your user interface to match the needs, it's possible therefore to curate choices. Limiting the choices that are available and improve the likelihood of collections. Behavioral economists have shown that too many choices actually decrease people's motivation to make a decision, people genuinely are short sighted, and often put off decisions. Too many options, combined with the complexity of making choice create yet another barrier choice.

It cannot be assumed that supplying facts and rational arguments alone will be enough to persuade people to resolve their liabilities. The need to be designed to reflect how people respond, based on real life, rather than theory choice architecture is one of those positive influences how you present choices to customers, and how that influences the choices. When you're dealing with the debtor how the choices framed as as important as the choice itself. So while the ability to tailor your services, important. It's also necessary to segment customers and adapt the user face and use it. User facing software needs to match the needs curate choices and limits the choices that are available, how you present choices to a debtor, in terms of the language used has a tangible effect on the end result, and the likely success of collecting debt.

There is much work to Inland Revenue can do in order to re flavor communications to current child support debtors which would more positively align with debts being repaid and rewarding positive debtor behaviour whilst recognising the impact on the receiving parent.

## CONCLUSION

We agree that the strategies used need to be consistent with keeping parents engaged in the scheme in order to increase the likelihood of payment. We are committed to ensuring families receive adequate financial support and that children receive the financial support from both parents that they will require as they grow up. We also want to reduce the level of potential conflict between parents regarding financial support. However we don't consider the current proposal adequately addresses full impact on receiving parents and children when child support is unpaid.

Birthingright New Zealand commends the ambition of IR to simplify the administration of the child support system. We encourage the Committee to consider any changes which are endorsed





to be reflective of a system which ensures fairness for both parents, not just the debtor and creating simplicity for the Crown. The approach needs to prioritise the financial support of the child, to ensure that receiving parents access child support entitlements.

We urge the Committee to be bold in its recommendations in order to ensure that New Zealand parents recognise the importance and responsibility they have towards financially supporting their children, and to support a strategy where penalties aren't merely swept aside but where IR use the full system functionality and more client centred debt collection strategies in the immediate future combined with internal culture work to shift the engagement of paying parents.

We would also like to extend an invitation for Inland Revenue to engage with Birthright as expert stakeholders so that IR can better understand the needs of single parent families, strategies which would aid in the seamlessness of child support and improve the lives of children.

## References

Krassoi Peach, E. and J. Cording, (2018), Multiple disadvantage among sole parents in New Zealand, Social Policy Evaluation and Research Unit, Wellington.

