

ESRC International Research Seminar Series:

Poverty, Child Maintenance and Interactions with Social Assistance Schemes

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ABSTRACTS

Carole Bonnet - INED Paris (French National Institute for Demographic Studies):

Do women really bear the cost of divorce? The role of child custody, public and private transfers in France

The literature on economic consequences of union dissolution highlights a worsening of women's living standards after separation, and a stability or decrease for men. One point has received relatively scant attention up to now, doubtless for lack of suitable data: the role of child support payments. Ignoring them could lead to an overstatement of the living standards decline of women (and an overstatement of men's ones), since mothers are more likely to be the custodial parent.

Using the French exhaustive administrative income-tax database, we analyse to what extent the public and private transfers balance gender economic inequalities after divorce both in average and along the living standards distribution. Our empirical strategy consists in using a DID-matching approach to take into account both observed and un-observed characteristics and measure a "pure" divorce effect. First results - on roughly 90,000 couples divorced in 2009 - show that both public and private transfers mitigate the economic variations after divorce, but women are more likely to bear the largest decrease in living standards. However, contrary to the common belief, their custodial status is neither the sole nor the main responsible for this loss. It is rather due to the marital specialization during marriage. Symmetrically, men in a second earnings provider position are also particularly disadvantaged after divorce compared to their former wives. Our results also show that, for both sexes, the labor market participation of the second provider of earnings increases significantly after the separation, which is a way to compensate a decrease in living standard.

Barbora Brlayova - CNAF (Caisse nationale des allocations familiales):

French public policy against unpaid child support: A new child support guarantee scheme

The Family Branch of the French Social Security System awards numerous benefits to families. The Family support allowance, created in 1984, is mainly targeted at single-parent families. Lone parents who do not receive child support for their child or whose child is orphaned or half-orphaned receive financial aid from the social security.

The new experiment on a public guarantee against unpaid child support (GIPA) launched on 1st of October 2014 seeks to cover the lone parent families whose child support is very low (less than 100 €) but paid entirely. The Family support allowance is only awarded if the other parent (nonresident parent) doesn't fulfill his duty to provide child support or only partially. The parents whose child support is paid in its totality have not been entitled to Family support allowance before the experiment. The new rules create a « public guarantee of a minimum child support » for everyone at the maximum amount of 100 €. The new policy is adapted to the diversity of child support situations: low child support paid entirely, not at all or partially.

This experiment is planned by the 'Law on equality between women and men'. Several other rules laid out by the Law are applied by the local family fund offices throughout the France: the new procedure of recovery of unpaid child support is facilitated (the offices can seek reimbursement of the unpaid child support due for the past 24 months).

Dr Kay Cook - RMIT Melbourne

The contribution of child support payments to the income packages of lone mothers in Australia

Child support is money paid by a non-resident parent to a resident parent for the support of children post-separation. Using the Household Income and Labour Dynamics in Australia survey (HILDA wave 11), this paper extends a UK study by Skinner & Main (2013) to: (1) assess the contribution made by child support payments to the income package of lone mothers; and (2) whether these payments help to lift lone mother families out of poverty. Pre child support household income quintiles and poverty groupings are constructed for all lone mothers in sample. Comparisons are made across pre and post child support equivalised household income quintile groups and poverty groupings before and after housing expenditures. The significance of child support payments on poverty reduction in single mother households is examined through probit regression analysis.

The results, consistent with prior research, indicate that median child support payments made to lone mothers are low. Of the sample of 410 lone mothers in HILDA wave 11, only 55% of those whose child had a non-resident parent reported receiving any child support, the median payment being \$89 a week. The median child support contribution to equivalised weekly household income was approximately 15% before housing costs and 21% after housing. Result indicate that on average, mothers in receipt of child support, even in amounts below the median observed in the sample, are 9% less likely to be in poverty, while those receiving payments greater than the median are 14% less likely to experience poverty. We conclude that child support payments, when received, can reduce child poverty and make a small, yet significant contribution to the income packages of lone mothers. This is particularly the case for those in lower income brackets whose housing expenditure represents a greater proportion of disposable income [1].

[1] This paper uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Social Services (DSS) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this paper, however, are those of the author and should not be attributed to either DSS or the Melbourne Institute

Dr Christine Davies - Royal Holloway, University of London. ***Assessing capacity to pay***

child maintenance: the UK formula.

Abstract to follow

Dr Hayley Fisher - University of Sydney:

Child support payments and the labour market participation of lone mothers in Australia.

The effect of receiving child support on the income and labour supply of mothers: evidence from Australia. International evidence suggests that child support schemes provide a small but significant contribution to the household income of lone parents and have modest success in reducing child poverty. There are, however, concerns that the receipt of child support may discourage labour force participation and enable a recipient to rely on government transfers and the child support received. I use data from waves 4 to 13 of the Household, Income and Labour Dynamics in Australia (HILDA) survey to estimate the effect of receiving child support on government transfer receipt, earned income, hours worked and labour force participation of eligible mothers.

Estimating the effect of receiving child support on household behaviour is not straightforward due to its interaction with government transfers and the fact that the mother's income is used in the calculation of the appropriate level of child support. These factors create reverse causation: as a mother's earned income increases, the amount of child support she receives falls. Failing to account for this reverse causality can lead to an estimate of the effect of child support receipt on labour market activity that is biased downwards. To account for this reverse causality, I exploit information about the employment status of a child's non-resident father. I find that receiving any child support is associated with a reduction in government transfers, an increase in earned income, and an increase in household income in excess of the amount of child support received. Mothers receiving child support are more likely to be in full time employment, work more hours per week, and are less likely to be out of the labour force.

Dr. Steven J. Golightly Ph.D.- Director, Los Angeles County Child Support Services

Programmatic and Economic Implications of the Present Child Support Pass Through Laws in the United States

When noncustodial parents pay child support on behalf of a family receiving welfare, how much of the child support payment should be "passed through" to the family? How much should be kept by the government and used to pay for the administration of the child support program or to pay back the government? The answers to these questions are not simple. Pass through policies are part of the support collection that States elect to pay directly to the family, rather than retain to reimburse public assistance coffers. Since 1996, states have been free to decide how to distribute child support paid on behalf of a welfare participant. The guiding principles behind child support pass through laws in the United States have been to increase income to needy families, to improve child support compliance, and to decrease child poverty.

The amount of pass through varies from state to state, from zero to full pass through. Studies on the impact of these laws have been very limited. Advocates of these policies

claim that an increase in pass through payments results in increased paternity determinations and more money collected. Naysayers suggest that this policy would actually only reduce child poverty by 1 percent.

There appears to be agreement that child support payments can make a substantial difference in the financial well-being of single mothers and their children. In this presentation, I will describe the early policy objectives of the program and how welfare reform (1996) and the Deficit Reduction Act (2005) shifted the focus of the program on family self-sufficiency and moving more child support dollars directly to families. In addition, I will discuss a variety of “pass through” policy approaches, examine the programmatic and economic implications, and provide an overview of the child support program in the United States.

Professor Heikki Hiilamo - University of Helsinki:

Does child support really reduce poverty? Measurement of interplay between child support and social assistance in eight countries

Child support is an important element in reducing poverty among sole parents. However, the interplay between child support and social assistance is poorly understood and possibly erroneously reflected in calculating poverty rates. In some countries private and/or public transfers of child support (guaranteed maintenance) are calculated as income when determining eligibility for social assistance. In these cases child support may not alleviate poverty among sole parents. To study this measurement issue we will use Luxembourg Income Study (LIS) datasets for the wave around 2010. We will select datasets from 8 countries representing four welfare state regimes: Nordic (FI, NO), Continental (GE, FR), Anglo-American (UK, AU/US) and Southern European (IT, ES). We will use the LIS variable for family structure to identify sole parents.

The analysis is carried out in four stages:

1. We will study individually the eight countries to find out what the variable ‘child support paid and received’ actually takes account of in LIS datasets of the selected countries.
2. We will study individually the eight countries to find out how social assistance benefits, private transfer of child support and guaranteed child maintenance are treated in the social security systems. Are private and public transfers (guaranteed maintenance) disregarded in determining eligibility for social assistance?
3. We will calculate child poverty rates (60% of median income) separately for sole parent on social assistance benefits and for sole parents not on social assistance. We will also conduct analysis for sole parents on social assistance by excluding and including child support.
4. We will assess the results from stage 3 with the knowledge from stages 1 and 2 to determine if the LIS datasets are able to measure correctly the interplay between social assistance and child support.

Dr Antonia Keung and Dr Christine Skinner - University of York UK:

Paying Parent Poverty: An Analysis of Separated Fathers in the Family Resources Survey in the UK

The focus of child maintenance policy has always been correctly focused on the enabling the transfer of money from the liable parent to support the upkeep of children in separated families. We know that children living in lone parent families are at a high risk of poverty and In the UK context, the transfer of private child maintenance payments can be kept by the receiving parent even if they are in receipt of social assistance benefits. This is intended to improve compliance rates and help mitigate the risk of poverty for children. We know less however, about the financial circumstances of the paying parent – usually the father in the UK. The formula used by the statutory Child Maintenance Service (CMS) that works out how much should be paid does have affordability assumptions built into it to help protect the paying parents and any children living with them. However, not all liable parents pay through the CMS and past evidence has shown that some fathers make child maintenance payments even when they appear not to be able to afford it (Bradshaw et al 1999). This presentation intends to provide provisional results from an analysis of the child maintenance payments made by separated fathers using the data in the Family Resources Survey (wave 2012-13). It will explore how much is paid and by whom and will consider what impact the payments may have on the total household incomes of the paying parent and the potential effect on poverty.

Professor Daniel, R. Meyer - University of Wisconsin-Madison:

Child maintenance and poverty reduction in lone parent families: comparative analysis of typical cases in UK, US, NZ and Australia.

To help tackle the poverty that is common in all OECD countries for one-parent families, additional financial support could come from the state through social assistance payments, from non-resident parents through child maintenance payments, or from both. Some countries might view social assistance and child maintenance as substitutes, so that children who receive more from a non-resident parent will receive less from the state. This substitution approach could be attractive to countries trying to limit public costs. The effectiveness in reducing poverty however, would depend upon the interactions between child maintenance and the social security systems. An alternative position treats social assistance and child maintenance as complements, with systems designed to enable parents to combine these sources. This complementarity may be an attractive strategy for governments looking to decrease child poverty. However, we currently know very little about the approaches different countries take, or the advantages of alternative schemes.

In this presentation we provide a comparative analysis of the potential value of child maintenance payments to the income packages of lone parents in four countries (UK, US, Australia, New Zealand), taking into account the complex interactions between child maintenance and social security systems. The UK has recently moved to a full complement scheme; in contrast, in New Zealand it is full substitution. The US and Australia take intermediate positions. We provide an analysis on how policies in each country affect particular example families, comparing the various approaches. We show that income packages are affected not only by the explicit policies governing the treatment of child maintenance in the main social assistance program, but also by more hidden approaches in

ancillary programs. We then summarize data on how these policies are working. The approaches illustrate varying social policy contexts of one-parent families and highlight consequential policy choices.

Associate Professor Lisa Young - Murdoch University, Western Australia.

Parental poverty and 'fairness' in the operation of the Australian child support system

The Australian Child Support Scheme was introduced with a focus on child poverty, welfare dependency of sole parents, low rates of child maintenance payment and problems of enforcement of maintenance obligations. The Scheme is considered to have been successful in many regards, however, underwent significant amendment in 2006. The Taskforce responsible for the recommendations forming the basis of the amendments said that the need for change was underpinned by increased emphasis on shared parental responsibility and the increased workforce participation of mothers, as well as 'ongoing public concern about aspects' of the Scheme. Unfortunately, in addressing what the Taskforce saw as the big picture it failed to consider the numerous ways in which the formula operates unfairly for parents and children. This presentation suggests there are many features of the formula which have the potential to exacerbate poverty of the various parties and which could be easily addressed, but which go unnoticed in the gender war that is family law reform.

While the demographics of the child support population mean that unfairness, and poverty, are more likely to threaten payees and children, there are notable aspects of the Scheme which operate unfairly for payers. Changes that might help payees and children would generally result in increased child support, which is currently politically unpalatable. Equally, however, changes that would address the concerns of payers raise more intractable questions about how the Scheme should operate and the question of state v parental obligations. As it is, the current Scheme encourages people to 'play' the system and is difficult to justify to parents in many regards.

This presentation charts a range of ways in which the underlying operation of the formula, and built in policy assumptions, together with discretionary decision making about changes to the formula in individual cases, operate unfairly for parents and exacerbate poverty unnecessarily. It suggests there is little standing in the way of reforming many of these provisions, other than political expediency, though some matters would require a fundamental rethinking of the question of state v individual support (something which may gain political traction in the near future).

Amy Skipp – Askresearch

Kids aren't free: The role of child maintenance in low income single parent households and the effect of the maintenance disregard

This presentation will report on findings from the Nuffield Foundation funded project 'Kids Aren't free' (Bryson, Skipp, Allbeson, Poole, Ireland & Marsh). This project assessed the maintenance arrangements of single parents on benefit between 2007 (when they were compelled to use the statutory CSA and have State benefits reduced in line with any monies received) and 2012 (when they were free to choose how they arranged their child maintenance AND this was disregarded in benefit calculations). We analysed the impact that child maintenance payments, including being able to keep the whole amount along with full

benefit payments, had on the household incomes of single parent households and how these related to poverty levels.

Along with income data analysis we will explore single parents' views on the impact of maintenance on their household incomes and financial stability, how they were using their payments and the effect on their finances and children's quality of life.

<http://www.nuffieldfoundation.org/child-maintenance-and-single-parents-benefit>