An Assessment of Proposed Changes to the CHILD SUPPORT Formula

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Introduction

It is important that children are raised free from poverty and with full support from their families/whānau. However, many children spend some or all of their childhood with their parents living apart. Policies aim to limit the harm this might do, with one important but controversial aspect being child support. As part of a review of the New Zealand child support scheme, a consultation document was released in September 2010 (Dunne, 2010), building in part on a paper by researchers in the Inland Revenue Department (IRD) on the costs of children (Claus et al., 2009). This assessment paper backgrounds the current child support situation and consultation. It then considers aspects of the consultation, namely: (1) the estimation of costs of children, (2) the resulting proposed child support formula, and (3) broader issues related to child support. General conclusions are then drawn.

Background

The Child Support Act 1991 appears to have had fundamental flaws from the start. Section 4 of the act lists the objects of the legislation. It can be easily demonstrated that these objects are not reflected in the formula given in the act to compute child support payments (Birks, 2000). Briefly, a major stated aim of the Act is to ensure ‘fair’ contributions by parents towards the costs of their children. However, among other concerns, the basic formula in the Act considers only the circumstances of the liable parent; there is no consideration of or adjustment for any care provided directly by that parent up to 40% of nights; the receiving parent faces no constraints as to the use of the funds received, whether on the child or for other purposes; conversely, the paying parent has no say as to how the funds are used; and there is no accountability, ex post, for the use of child support received. No explanation has been given for the choice of formula,
which could bear little relationship to the actual costs of the children.

Nevertheless, in 2001 it was stated on the IRD Child Support web page that: ‘Child Support is governed by the objectives set out in the Child Support Act 1991’ (Birks, 2001). By 2008 this had been changed to read:

The child support scheme operates under the Child Support Act 1991. This legislation aims to ensure that:

The analysis in the review is based on a limited range of circumstances. Comparisons are between intact two-adult households, both adults 25 or over, with and without children.

- parents take financial responsibility for their children when marriages and relationships end
- financial contributions from paying parents help to offset the cost of benefits, like the Domestic Purposes Benefit, which support custodians and children. (Inland Revenue Department, 2008)

Even this demonstrates a contradiction if a custodian is on the DPB, in that liable parents’ contributions are then diverted from the child via the government so as to support the custodian.

These problems have been signalled directly over many years by those affected by the legislation. Peter Dunne states, ‘I note that over a quarter of the letters I receive as Minister of Revenue are from people who are unhappy with some aspect of the child support scheme’ (Dunne, 2010, foreword). The consultation document attempts to address some of these issues. In particular, it focuses on (i) measuring the costs of children, (ii) broader provision to consider shared care, and (iii) consideration of the incomes of both parents. In addition to the consultation document, Claus et al. (2009) gave details of the calculations of costs of children. This is important because no explanation was given for the choice of percentages used in the formula and proposals, drawing on the results from Claus et al. (2009) to present a possible alternative child support formula. Notable changes are the linking of formula assessments to estimated costs of children, consideration of the incomes of both parents, and extended adjustments for shared care. This section treats the cost estimates as if they are correct, considering the proposals on that basis. The following section discusses measurement problems.

Until now it had not been known how child support was intended to be used, or if it was intended to cover the full costs of a child. There had been occasional comments about the money being 'for the child', public claims that not enough is being given because many parents are assessed at the minimum obligation to the detriment of children, and criticism of the high levels of arrears and debt. A major observation by Dunne (2010, pp.50-1) is that the current child support formula is close to or, for households on low income or with one child under 13 in particular, in excess of the estimated cost of a child (net of government funding such as Working for Families). It is all paid by the liable parent, so the costs are not shared, tax benefits are not shared, generally all going solely to the main caregiver, and any voluntary payments or costs incurred directly by the liable parent are (with limited review provision) additional to the child support obligation and ignored in the calculations.

There is no awareness of this apparent over-payment. Instead, political and media attention has promoted the view of fathers (rather than liable parents) shirking their responsibilities by paying the minimum or being in debt to Child Support (Keith, 2010). Additional information obtained under the Official Information Act challenges this view. According to these numbers, in 2010 (March year) there were 177,600 liable parents. Of these, 79,300 (44.7%) were assessed at the minimum rate. However, 73% of female liable parents were on the minimum rate, compared to 38% of male liable parents. About 18.6% of liable parents were female, and, despite the high prevalence of minimum assessment for them, 16.5% of liable parents with debt were female. 101,500 custodians were on a benefit, with liable parent contributions diverted from the child to the custodian. Of the liable parents on the minimum payment, 50,200 (63%) were associated with a custodian on a benefit. Hence, nearly two-thirds of liable parents on a minimum are linked to custodians on benefits, so their low payments would have little effect on the recipient household. Others may be minimally affected also. As noted by Dunne (2010, p.26), Working for Families tax credits exceed the ‘estimated expenditure for raising children’ for many on low income, especially if they qualify for the in-work tax credit, in which case net costs are negative up to an annual income of about $35,000.

The reason for the review is given as changed circumstances, including the claim, ‘The primary assumption under the current scheme is that the paying parent is the sole income earner and that the receiving parent is the main care provider’ (Dunne, 2010, p.2). There was an earlier review headed by Judge Peter Trapski (Child Support Act Working Party, 1994; Trapski, 1994). This gave a different explanation of the disregard for the custodial parent’s income, suggesting that the Act was designed to achieve labour market objectives not mentioned in the Act. On consideration of the custodial parent’s income the 1994 consultative document states:
a strong disincentive to workforce participation could result if every dollar earned by the custodian over a given threshold resulted in a decrease in child support. As 84% of lone parents are women, structural gender based inequities in the labour market could be worsened. (Child Support Act Working Party, 1994, p.24)

Note that, for liable parents, extra income above the threshold and below the ceiling results in increased child support.

Child support is not the only area of law influenced by gender-political considerations. The above quote illustrates the possibility that, even when legislation is presented in gender neutral language, a classification highly correlated with gender may be used for gendered objectives. Child support may not have been intended purely for the support of children.

The analysis in the review is based on a limited range of circumstances. Comparisons are between intact two-adult households, both adults 25 or over, with and without children. It is assumed that:

- the child support obligation arises due to the separation of two parents (they had lived together)
- the parents continue to earn at the same rate as they did before (assessment is based on combined current incomes)
- there are no changes in level of family tax credits as a result of separation, although such credits can be substantial, especially for low-income households with several children
- repartnering and additional dependants have no effect on obligations
- the desirable objective is to maintain the living standard of the child as before separation
- this can best be achieved through the specified child support allocation.

An online survey conducted as part of the consultation asked whether child support should be a fixed sum or income related. The proposed formula was then based on income and the full cost of children. There was no partial cost option.

Figure 1: Percentage Share of Child Support by Percentage of Nights

Given that the result is transfer of money from a liable parent to a recipient parent, child support determines not only financial contributions, but also the right to decide how the funds are used. Consequently, it is a redistribution of property rights, or power and decision-making authority, from the earner to the recipient. Currently, if a liable parent cares for a child for less than 40% of nights, then that parent has no say as to how the child support is used, and has to cover directly incurred costs over and above contributions already made.

Dunne makes clear that, in the proposed formula, expenditure for raising children should come from Working for Families tax credits plus contributions by both parents according to their income, some of this to be incurred directly and the rest to be transferred from one parent to the other as child support. Payment would still confer no say, each parent having full discretion as to the use of the money at their disposal.

The issue of shared care received attention, with a proposed consideration of care less than 40% of nights. Dunne (2010, p.19) describes the additional costs arising from the care of children in two households. Referring to Australian findings, households with a modest living standard and 20% of the care are estimated to experience 38% of the costs of a sole parent with 100% of the care. This rises to 60% for a ‘low-cost’ household. Surprisingly, the other parent with 80% of care still incurs 99% of the full-time costs. This is explained in terms of savings in costs such as food being balanced by higher travel costs incurred by the recipient parent due to shared care (Henman et al., 2007, pp.22-3), although this is minimal for parents living in close proximity. It is not mentioned, but there are also likely to be more activity costs at weekends than on weekdays, and number of nights may not reflect the amount of time spent with a child. The Australian result is obtained from an itemised cost approach. Taking a living standard measure as in Claus et al. (2009) and described in the next section, an improvement over full-time care would be recorded in the main carer household due to the smaller share of food costs in total expenditure.

Comparisons of shared care formulae between the existing Australian and UK systems and the proposed New Zealand scheme, described in Dunne (2010, pp.32-3), are presented in Figure 1.

The diagonal line indicates where share of child support equals share of nights, while points below the line indicate under-allocation. Except for near-equal sharing, the parent with less care has a less-than-proportionate share of child support for almost the entire range, but for a short range under the Australian formula. This is despite the more-than-proportionate costs incurred and the lack of eligibility for tax benefits. For most of the range, the New Zealand proposal is the least equal. As child support income is calculated after deduction of the...
living allowance, any percentage split in contribution is disproportionately drawn from the higher earner, increasingly so as the living allowance rises. The current New Zealand formula draws on only one income and follows the horizontal axis to 40, after which there is some adjustment based on relative incomes. It is perhaps understandable that liable parents may be resentful if they make substantial child support contributions and also share care. It is also understandable that some might find this unsustainable. It is telling that, in one court case concerning an application for recognition of substantial equal sharing, the judge ruled against recognition largely on the grounds that the liable parent, who was paying assessed child support and direct costs for substantial care, only grudgingly contributed even further funds (Johns v CIR, 1999).

There are marked differences if estimates are based on both adults being under 25, with the younger household spending $120 per week less at all income levels. If the wrong relationship has been chosen, then resulting estimates will be misleading.

Estimating the costs of children
This section considers the cost estimates derived in Claus et al. (2009) and applied in Dunne (2010). The process followed can be described in terms of (a) selecting the data, (b) estimating expenditure (equation 1), (c) calculating the expenditure-standard of living relationship (equation 2), and (d) using equation 2 to estimate costs of children as the extra expenditure required for a constant living standard.

Selecting the data
The data were taken from the Household Economic Survey for 2006–2007 and were restricted to two-adult and two-adult-with-children households. These comprised 57% of all households. That would give a total of 1,454 observations from the survey. Only 930 returns were considered usable, meaning that 36% were rejected. Some exclusions would have occurred as a result of both adults being aged 60 or over, but a large proportion must have been due to specified problems with data, namely: zero or negative expenditure; food expenditure greater than total expenditure; zero or negative income; or expenditure greater than twice income. These reasons suggest either problems in the rejected data or, for the latter two, annual data perhaps not identifying fluctuations in income or expenditure over time. In any event, the apparently high rejection rate suggests that much of the data would have been inaccurate. This raises the question: if there are clear inaccuracies in so much of the data, how much confidence can be placed in the data that were not rejected?

There is no constant in the equation, so there are no differences with time, with or without lags being considered.

The choice of variables and specification of functional form are important determinants of the resulting outputs. This is common to all estimation, but its significance is often overlooked in econometrics, as when including ‘control variables’, or failing to recognise the importance of aggregation by time, with or without lags being considered.

Estimating expenditure
Equation 1, the household expenditure equation, is as follows:

\[ E_i = \alpha_0Y_i + \alpha_1(Y_i)^2 + \alpha_2\text{Ages}(1)_i + \ldots + \alpha_4\text{Ages}(4)_i + \epsilon_i \]

\(E\) is expenditure and \(Y\) is income, both weekly, in thousands of dollars. \(\text{Ages}(1)\) to \(\text{Ages}(4)\) are the number of household members aged, respectively, 0–12, 13–18, 19–24 and 25 or over. A modified version of this equation, Equation 3, does not distinguish between \(\text{Age}(1)\) and \(\text{Age}(2)\), thus simplifying consideration of situations with more than one child, but preventing inclusion of variation in cost due to age of children. Claus et al. use this latter equation for their subsequent analysis. The current discussion focuses on Equation 1, but similar points apply to both equations.

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expenditure of couple households with one child under 19. The estimates are also restricted to couples both 25 or older. There are marked differences if estimates are based on both adults being under 25, with the younger household spending $120 per week less at all income levels. If the wrong relationship has been chosen, then resulting estimates will be misleading.

Calculating the expenditure—standard of living relationship
The study requires the estimation of the following living standards equation, Equation 2, in which LS stands for living standard and F represents family size:

$$LS_i = \beta_0 \ln(E_i/F_i) + \beta_1 (\ln(E_i/F_i))^2 + \beta_2 \ln(F_i) + \beta_3 (\text{Ages}(1)/F_i) + ... + \beta_7 (\text{Ages}(4)/F_i) + \mu_i$$

This is paired with Equation 1. Just as that equation has an alternative Equation 3, there is a corresponding Equation 4 for situations with more than one child.

The LS measure is central to the study. It is taken to be the percentage share of total expenditure comprised by a subset of categories (food at home, non-durable household supplies and services, communication equipment and services and personal care products and services), expressed as a natural log. Any two households with the same value for this measure are considered to have the same living standard, with lower values indicating higher living standards. It is questionable why such a measure is considered a satisfactory measure for comparison over household types and income levels. While, for any individual household, a fall in the share might reflect a rise in living standard, it may be wrong to assume that comparisons across households are equally meaningful. There may be many other determinants of lifestyle that have not been considered in this analysis. Some specific potential distortions can be imagined. In particular, there may be systematic differences in lifestyle according to size and age composition of households which affect both the level and composition of household expenditure. It is also not clear why the functional form for the equation was chosen, and with an R² of 0.1533 (Claus et al., 2009, p.20) its explanatory power is weak.

Following the Australian methodology, Claus et al. (2009) have additional equations 3 and 4 to calculate costs for households with more than one child. They are slight variants of equations 1 and 2 and combine the two child age groups. Living standards by household composition and income as calculated by equations 3 and 4 are given in Table 1, with an additional row for no-child households. They are presented as percentages of household expenditure. Low income is $704 per week, and middle and high incomes are $1,365 and $2,838 respectively.

It can be seen that a middle-income childless household could almost halve its income to $704 per week and still be on a higher living standard than a middle-income household with two children. A high-income no-child household could cut its income by 75% and still be on a higher living standard than a four-child household on the same income. In fact, using equation 1, a weekly income of $485 and associated expenditure of $563 would give an equivalent living standard to a four-child household on $2,838 with expenditure of $1,638 per week. It is on this basis that a weekly cost of children figure of $1,075 is determined. It means that, according to the model, a four-child household on an annual income of nearly $150,000 is on the same living standard as a couple on just over $25,000.

The treatment of housing costs in expenditure can give misleading results. Interest is included in the expenditure measure, but capital repayments are not. The difference in these numbers going down the columns or across the rows is not very large. This suggests two things. First, living standards may not vary very much according to this measure, and second, large expenditure differences may be required to compensate for any measured LS difference due to the presence of children. Moreover, the estimates are not precise, so small differences may not be significant. It could also be imagined that data definition, lifestyle, wealth, stage of life or other differences could have a greater impact than changes in the included explanatory variables.

Additional problems with the measure can be identified. The treatment of housing costs in expenditure can give misleading results. Interest is included in the expenditure measure, but capital repayments are not. Consider a household with a fixed expenditure pattern, including mortgage payments (interest plus capital). Over time, the interest component declines and capital repayments increase. Consequently, total measured expenditure is declining. There is no change to the expenditure in the subset categories, so measured living standard would be declining (LS is rising) although there is no change to the actual living standard, and the household is becoming wealthier. The failure to recognise implicit rent to owner-occupiers is equally distorting. Consider a household that is a mortgage-free owner-occupier, and another that is renting, with non-rent expenditures required to compensate for any measured

| Table 1: Living Standard (percentage of expenditure allocated to designated sub-basket of goods) |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                | Low-income household | Middle-income household | High-income household | Average-income household |
| No child                       | 21.22             | 18.56            | 14.63            | 17.92            |
| 1 child                        | 22.57             | 20.61            | 17.23            | 20.10            |
| 2 children                     | 23.57             | 22.15            | 19.28            | 21.74            |
| 3 children                     | 24.31             | 23.32            | 20.91            | 23.00            |
| 4 children                     | 24.87             | 24.23            | 22.24            | 23.98            |
equal. The household that is renting would be considered to have a higher standard of living due to the higher total expenditure.

**The costs of children**

The cost of children is estimated as the difference in estimated expenditures of a household with children compared to a two-adult household on the same living standard. Taking the living standard calculated as in Table 1, Equation 2 (or Equation 4) is solved for E assuming two adults only.

The choice of E/F in Equation 2 is puzzling. It suggests that living standard is a function of per capita expenditure, although an extensive literature on household equivalence measures suggests that there are economies of scale in households, and children cost less than adults. Hence, for example, the Jensen Equivalised Annual Household Income for a two-adult-plus-child household on an income of $35,000 would be equivalent to a two-adult household on $29,400 (Statistics New Zealand, undated). By this measure, a child increases required income by 19%. In contrast, a per capita measure, lacking economies of scale or differential adjustment for children, requires an expenditure increase of 50%.

The significance of this is indicated with a truncated version of Equation 2 considering only the E/F terms. To equalise LS, it is then only necessary to equalise the expenditure variables. (The result is therefore independent of the sample or the estimation method.) With per capita expenditure, a fall in couple-plus-child expenditure of 33% would give the required couple-only expenditure. With the Jensen measure, a fall of 0.19/1.19, or 16%, would achieve the same result. In other words, for the truncated equation this change halves the estimated cost of a child. This suggests that, by ignoring economies of scale and shared consumption, the approach may overstate the costs of children in the full model, perhaps by a large margin.

Results may be sensitive to other aspects of the model. Taking adults under 25, rather than 25 or over, has been shown to affect expenditure estimates. It also affects estimated costs of children, as shown in Table 2, drawn from Equations 1 and 2. As can be seen, there is a marked difference in results, with under-25 results being surprisingly high.

Coefficient estimation can be confounded by multicollinearity, in which case the effects of changes in the value of a variable may not reflect precisely the response to that variable, rather than other, statistically-related influences. It should also be noted that coefficient estimates are not precise. The interpretation of results and the use of significance testing in general has been challenged in several publications, some of which are widely known (McCloskey, 1998; Ziliak and McCloskey, 2008). Without rejecting the estimation method in its entirety, it is possible to consider the effects of slight changes in the values of the estimated coefficients. Table 3 presents cost-of-child figures from Equations 1 and 2 with adults over 25. The coefficients for Age(1) and Age(2) in Equation 2 are changed by plus and minus 0.2 standard errors, relatively small adjustments. It can be seen that these have a major effect on estimated costs of children. The +0.2SE figures are all more than a third of total household expenditure, suggesting diseconomies of scale!

In summary, the estimated costs of children are imprecise, and are highly sensitive to the assumptions and parameter values. Small changes in these can produce large changes in results. However, if the results are accepted, big changes in expenditure are required to produce small changes in LS. Rather than the quantitative analyses providing robust and strongly supported measures, they may serve more of a rhetorical purpose, lending authority to figures which, while only poorly supported, may appear convincing. This is likely in particular if the values presented appear, a priori, plausible. However, as is shown above, there are some results provided by the model that may be less widely acceptable.

An additional problem is the meaning of the figures. Despite the analysis, it is still not clear what the money is for. Consequently, it would be hard to hold a recipient parent accountable for its use. One explanation given for taking the living standards approach is that it is not possible to separate out expenditure on individuals within a household (Claus et al., 2009). Much is intermingled, so certain uses of the money will benefit others in the household. However, it cannot then be assumed that an allocation of the estimated sum to a particular household would give the desired living standard for the child(ren) in that household, regardless of the overall household income. In the extreme, it is hard to see how a child’s

Table 2: Costs of One Child under 13, by Age of Parents

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<thead>
<tr>
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<th>Low-income household</th>
<th>Middle-income household</th>
<th>High-income household</th>
<th>Average-income household</th>
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</thead>
<tbody>
<tr>
<td>Adults 25+</td>
<td>$147</td>
<td>$243</td>
<td>$426</td>
<td>$268</td>
</tr>
<tr>
<td>Adults &lt;25</td>
<td>$308</td>
<td>$356</td>
<td>$551</td>
<td>$381</td>
</tr>
</tbody>
</table>

Table 3: Cost of Child, Adjusting the Age Coefficient in the LS Equation

<table>
<thead>
<tr>
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<th>Low-income household</th>
<th>Middle-income household</th>
<th>High-income household</th>
<th>Average-income household</th>
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</thead>
<tbody>
<tr>
<td>Child &lt;13</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age(1) + 0.2SE</td>
<td>$246</td>
<td>$339</td>
<td>$533</td>
<td>$365</td>
</tr>
<tr>
<td>Age(1)</td>
<td>$147</td>
<td>$243</td>
<td>$426</td>
<td>$268</td>
</tr>
<tr>
<td>Age(1) - 0.2SE</td>
<td>$73</td>
<td>$169</td>
<td>$342</td>
<td>$193</td>
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<tbody>
<tr>
<td>Child 13+</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age(2) + 0.2SE</td>
<td>$296</td>
<td>$388</td>
<td>$585</td>
<td>$414</td>
</tr>
<tr>
<td>Age(2)</td>
<td>$196</td>
<td>$291</td>
<td>$477</td>
<td>$316</td>
</tr>
<tr>
<td>Age(2) - 0.2SE</td>
<td>$90</td>
<td>$183</td>
<td>$355</td>
<td>$207</td>
</tr>
</tbody>
</table>
living standard can be maintained with a high-earning liable parent and a recipient parent on the DPB.

Broader issues and an alternative proposal

The consultation and proposals are narrowly focused on the child support formula. Issues of context and unstated assumptions are important. Some of these are beyond the scope of this paper, such as the decision to have children and associated choice of roles, or whether one adult has raised or lowered the living standard of the other due to their relationship or due to entry into their relationship. A core assumption in the consultation is: ‘if children are not to share in the decreased living standard that necessarily results from the costs of parents living apart, then child support payments should be based on previous expenditure on children in the intact family’ (Claus et al., 2009, p.8). For a reframing of this point, Braver and O’Connell quote a judge: ‘[I]f we’re really so concerned about the child’s standard of living, why don’t we just typically award custody, when it’s in dispute, to the parent with the higher income?’ (Braver and O’Connell, 1998, p.86). This is not the only unstated issue.

A potentially important aspect affecting co-operation and compliance is that of power and control. Implicit in the lack of controls on the use of funds is an assumption of full trust in recipient parents to use all the designated funds from all sources correctly. This is despite both the abnormal spending pattern required to maintain differential living standards within a household and the choice to take the DPB, thereby redirecting a large proportion of the dedicated funds away from the child.

Conversely, there is no trust in liable parents, with the full estimated costs of children being assigned by the formula and no say being awarded to that parent in the use of the funds. Framing of issues is important, and it has been argued (Birks, 2008) that current representations are narrowly focused, in part due to the dominance of a women’s rights discourse. An unbalanced child support regime can damage relations between parents and between parents and children.

Although there have been suggestions to the contrary, data suggest that children generally lose the parenting input of one parent when their parents live apart. Hence, ‘[a]s at 31 March 2009, 7,976 children and 6,950 parental relationships were covered by a qualifying shared care arrangement, representing 3.9% of children and 4.6% of relationships in the child support scheme’ (Dunne, 2010, p.28, fn.25). Resentment under the current system may be understandable when it is viewed according to one extreme framing. The comparison has been suggested of liable parents and parents of the ‘stolen generation’ in Australia. According to this reasoning, not only are liable parents denied parenting relationships with their children, but they are also then required to pay for them.

In summary, it is clear that costs may vary markedly across households according to circumstances and lifestyles. Any estimates of costs will be subject to large error.

Despite the exclusion of the liable parent, the current rhetoric is that, ‘One of the Government’s key social policy objectives is to ensure that New Zealanders have an equal opportunity to participate in and contribute to society’ (Dunne, 2010, p.6). The problem is denied, but it may be a factor in child support compliance, and in collection costs which have been estimated for New Zealand at nearly 19c per dollar (Shephard, 2006).

An alternative proposal could be built on a more balanced view of the roles and motivations of child support payer and payee. Consider, for example, the following middle-of-the-road presumptions:

- both (biological) parents have an interest in the well-being of their children
- a recipient parent may not spend as assumed in the legislation, as this is based on an abnormal spending pattern with no guidelines or monitoring
- a paying parent would willingly make contributions to the cost of a child when allowed some control of the use of the funds.

On that basis, instead of attempting to include the full costs of children within the child support formula, a more moderate child support system could be designed so as to provide a ‘safety net’. Under such a system, only part of the costs are covered by the legislation. This would equate to a redistribution of somewhat fewer property rights from the liable parent to the recipient, while leaving the remainder of the costs of the children to be covered through voluntary contributions by either or both parents. Consequently, there would be a more balanced power allocation between the parents, with each having some discretion. This is likely to result in less resentment, more recognition of the contributions of the paying parent, and each parent having an incentive and a greater ability to maintain good relations with the other. A possible outcome would be improved co-operation and agreement between the parents.

Partial coverage of costs could also be justified on the basis of uncertainty about the true costs of children, along with other reasons for concern about the recipient parent’s use of funds and the under-recognition of direct costs to liable parents. A simple modification to the formula proposed in Supporting Children would be to halve the assessed figures. This is likely to reduce the existing need for an unattainably accurate estimate of costs of children, (ii) increase accountability in use of money for children by both parents, (iii) encourage greater communication and co-operation by parents on a more level...
playing field, and (iv) reduce resentment by liable parents, increasing voluntary compliance and hence reducing collection costs.

Conclusions
In summary, it is clear that costs may vary markedly across households according to circumstances and lifestyles. Any estimates of costs will be subject to large error. In addition, even in the proposed formula tax benefits are unrepresentatively allocated and incurred costs incorrectly acknowledged. Perhaps the most significant findings are that: the intention is to operate a system that attempts to rule on the funding of these costs in their entirety; government funding can provide a substantial component of the amount going to the main caregiver; the total funding may be set according to an unrealistically high living standard for the children; costs incurred by the caregiver with less time are relatively under-acknowledged; the payers (including government) have no rights over the use of the money paid; and the system results in a major power imbalance and potential source of conflict, with enforcement and penalty provision for child support payers but no constraints or even guidelines for payees. It should not be surprising if such a system results in conflict between child support payer and payee, and in administration problems.

References