

Annex II – Alternative systems considered

1. A range of alternative systems was considered before reaching the redesigned system, from having no state involvement in child support, to a system of guaranteed maintenance where responsibility for child support is moved from parents to the state. The relative disadvantages of these systems are explored below.

Having no state involvement in child support

2. One option considered was that the state should discontinue its role in this area. With no state involvement in child support, parents would have no support system through an administrative route. Child support would be arranged on an ad hoc basis, privately or through the courts. Accepting the reasons why government should be involved in child support (set out in the section ‘Putting the child first’), this is not a realistic option. The potential negative effects on child welfare and social norms would exceed any benefits gained in the short term.

Guaranteeing maintenance for all lone parents

3. Another option considered was guaranteed maintenance, which is common in Scandinavian countries. Under such a system, the state pays maintenance to all parents with care and carries the risk of collecting it from non-resident parents. The system would be universal, available for all lone and separated parents. Every parent with care receives maintenance, regardless of whether or not the non-resident parent pays. To maximise the amount of money recouped from non-resident parents and to signal the unacceptability of non-compliance, guaranteed maintenance would need to be accompanied by an effective enforcement regime.
4. I have received strong representation from some stakeholders that guaranteed maintenance should be introduced in the UK. One of the main arguments for such an approach is the positive impact that it can have on child poverty. Unlike maintenance paid by non-resident parents, which may not be paid regularly, or in full, guaranteed maintenance could provide a predictable, stable source of income. Depending on the rate at which it was set, it could help to lift many children out of poverty.

5. However, such a system would be extremely expensive and is not without risks. The cost of guaranteed maintenance depends on the level at which it is set and the rate at which it can be reclaimed from non-resident parents. Guaranteed maintenance removes the financial link between non-resident parents and their children as the state becomes responsible for collecting and paying child maintenance. This, combined with the fact that non-resident parents know their children will receive maintenance, whether or not they pay, may have a negative impact on compliance.
6. Guaranteed maintenance means that the state is paying financial support based on the structure of a household rather than on its income. This means that households with similar levels of income could be treated differently. Extra support would be given to lone parents and step-families compared with couple families and widows. This would not only be unfair but would also risk creating incentives for parents to separate, or at least appear to have separated, as guaranteed maintenance would increase their household income.
7. Guaranteed maintenance is used in several other countries, including Sweden, Denmark, Norway and Germany. In such cases, guaranteed maintenance operates within a different welfare environment where labour market participation among lone parents tends to be higher. As a result, it is difficult to make cross-national comparisons.

A universal state system

8. An alternative approach, similar to that taken in Australia, would be to have a universal state system. This would require everyone to have some form of registered arrangement for child support. Such an arrangement could either be made privately or administered through the state.
9. The Australian system is often referred to as a model for the UK to follow. With an efficient administrative system and large numbers of private arrangements, it is seen to have succeeded where the UK has failed. Using claims to its Family Tax Benefits system to register arrangements, Australia is believed to capture around 90 per cent of its potential child support client base. Combined with the requirement for parents to jointly register a child's birth, this greatly reduces the number of parents that fall out of reach of the system. Applying a universal system in the UK would involve using an application for Child Tax Credit to trigger state involvement. While Child Tax Credit is the

most widespread tool available, its reach is still limited. Of the 2.5 million households potentially eligible for child support, between 250,000 and 375,000 are not captured by Child Tax Credit because they are at the upper end of the income spectrum. A further 250,000 non-resident parents are currently classified as being unidentifiable or untraceable. This would limit the reach of a universal system to around 75 per cent of the eligible population.

10. As well as the problem of limited reach, a universal system would be very difficult to administer in the UK. In Australia, the relationship between child support and the tax system, which involves more extensive self-assessment on a more up-to-date basis than in the UK, makes it much easier to support a universal system. Without wholesale change to our tax system, introducing a universal child support system would involve numerous new processes, including registering large numbers of private agreements. This would require the administrative agency to deliver both new and existing processes more effectively, for a larger caseload.

The Operational Improvement Plan

11. All alternative systems were considered against a baseline improvement expected to be delivered by the Operational Improvement Plan (see below).

In February 2006, the Operational Improvement Plan set out plans to

- restructuring the CSA to enable increased focus on case life-cycle;
- more staff dedicated to clearing new applications;
- streamlining processes to improve productivity;
- working more closely with HM Revenue & Customs to trace non-resident parents avoiding responsibilities;
- extending the use of trace data available to include credit reference agencies and using private sector agencies where necessary;
- increasing CSA staff levels overall;
- involving senior caseworkers on complex cases to improve accuracy;
- improving communications with clients;
- increasing the use and effectiveness of Deduction from Earnings Orders;
- extending the range of payment options;
- developing risk profiles to help the CSA focus its efforts;
- increasing focus on compliance and enforcement utilising the existing range of sanctions available such as driving licence removal and imprisonment;
- increasing the number of cases brought to court for non-compliance;
- committing to a range of service standards in the Business Plan; and
- working with EDS to resolve IT problems.

The Operational Improvement Plan is expected to lift an additional 40,000 children out of poverty by August 2010. Maintenance collected should increase by nearly 50 per cent by 2009.