

Submission regarding Parliamentary Inquiry into the Child Support Program

25 May 2014

I welcome the opportunity to provide a submission to the review of the current 'Child Support Program'. This submission is intended to provide a brief overview of significant issues/injustices with the current CSA Calculator and pertains specifically to cases where there is an equal percentage (50-50) of care shared by both parents.

Whilst the current CSA formula has been developed with the intent of ensuring that parental responsibility and the children's expenses are fairly shared between both parents, the current formula is not currently doing this, particularly in situations where custody/care percentage of the children is shared 50-50. Accordingly this assessment formula needs to be closely reviewed.

Cost of Raising Children

Table 2: Estimated average costs of children in couple families, by number of children and family income, 2005-06

Level of income	Average income	Number of children				
		1 child	2 children	3 children	4 children	5 children
		(\$pw)	(\$pw)	(\$pw)	(\$pw)	(\$pw)
Low income	\$661	\$114	\$209	\$290	\$362	\$427
Middle income	\$1,330	\$179	\$317	\$428	\$522	\$605
High income	\$2,662	\$285	\$492	\$651	\$779	\$888
Average	\$1,473	\$188	\$331	\$446	\$543	\$627

Table 6: Estimated average costs of children in sole parent families, by number of children and family income, 2005-06

Level of income	Average income	Number of children			
		1 child	2 children	3 children	4 children
		(\$pw)	(\$pw)	(\$pw)	(\$pw)
Low income	\$284	\$89	\$151	\$204	\$253
Middle income	\$459	\$117	\$192	\$253	\$307
High income	\$1,169	\$204	\$320	\$405	\$477
Average	\$583	\$131	\$212	\$277	\$334

According the 'Family Payments and Child Support Branch' of the Department of Social Services, the current Child Support Assessment Formula is "based on the best evidence about the costs of raising

children in Australia', yet it appears that it contradicts the relevant data provided on the Department of Social Services Web Site.

The above tables accessed from the Department of Social Services website (whilst a few years old) are based on fact and provide a good general guideline of the cost of raising children in Australia. In many cases where there is 50-50 shared care and both parents are earning high wages (e.g. \$91,000 and \$180,000) the amount of child support calculated with the current CSA formula, identifies an amount which exceeds the above noted costs for caring for the children during the 50% care provided by the receiving parent. Therefore, in these cases the 'paying' parent is effectively meeting ALL costs of raising the children whilst the amount that the receiving parent is contributing is negligible. In some cases this formula also results in the receiving parent making a profit.

In instances where there is equal shared custody (50-50 percentage of care) by both parents there should be no need for any child support to exchange hands, except in instances where one parent may be earning a low and inadequate income.

What is a reasonable wage to earn at which child support payment should cease in families where there is 50-50 shared care?

Where parents are meeting their care responsibility (50%) and the other parent is earning a reasonable wage, there should be no need for any additional child support to be paid.

According to the 2011 Census:

- the median weekly household income is \$1,235 per week or circa \$64,220 and
- the median weekly household income for '**couple**' families with **2 incomes** with children is \$2,310 per week which equates to circa \$120,120pa.

Bearing these statistics in mind, single parents who only have 50% care of their children and are earning in excess of the \$64,220 p.a., should not require any additional financial support from the other parent. Or at least in cases where they are earning $\frac{2}{3}$ of the median household income of couple families with 2 incomes and 100% care of the children (\$80,080), payments should cease. At best the current amount of child support calculated should be significantly reduced. Especially seeing as the receiving parent (in addition to their wage and the excessive child support) also have access to other benefits, including the family tax benefit and reduced child care/ after school fees, which the paying parent typically does not.

Additional Children

The 'Family Payments and Child Support Branch' of the Department of Social Services also maintain that 'children of the first and subsequent families are treated in a similar way'. When this comment is considered in light of the assessment calculator it seems quite laughable as in many cases where the percentage of care is 50-50, any additional children make almost 'NO' difference to the child support payment amount and the funds allocated to this additional child according to the assessment may even equate to less than $\frac{1}{10}$ of the amount spent on the existing children. Furthermore in cases where this additional child may be child #4 there is no recognition of the fact that the expenses incurred for this child

may actually be higher than the existing children, considering that a standard car is no longer adequate to cater for a family of this size.

Overview of Recommendations

- Single parents with 50% shared care and earning more than the median weekly household income or the more than 2/3 of the median household income of couple families with 2 incomes and 100% care of the children, should not receive any child support payments
- The assessment calculator should be adjusted to ensure that any additional children are treated the same as existing children in terms of overall costs.
- The child support calculator is supposed to ensure children's needs and expenses are adequately met and should be based on the actual cost of raising children, not on an amount that parents may or may not 'chose' to spend on them if they had the means.

Your consideration of the above mentioned matters as part of your review are greatly appreciated,

Yours Sincerely,

S. R.