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Forbes, Bev (REPS)

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Subject: FaCS Supplementary Submission to Inquiry into Child Custody Arrangements in the Event of Family Separation

Importance: High



Covering letter to FaCS Supplementary Submission

Ms Bev Forbes
Committee Secretary
Standing Committee on Family and Community Affairs
Child Custody Arrangements Inquiry

Attached is a covering letter and the FaCS supplementary submission to the Inquiry.

A hard copy of the supplementary submission will be delivered to Parliament House on Friday morning.

(See attached file: Covering letter to FaCS Supplementary Submission to Child Custody Arrangements Inquiry.doc) (See attached file: FaCS Supplementary Submission to HoR Child Custody Arrangements Inquiry.doc)

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Ms Bev Forbes
Committee Secretary
Standing Committee on Family and Community Affairs
Child Custody Arrangements Inquiry
Department of the House of Representatives
Parliament House
Canberra ACT 2600

Dear Ms Forbes

FACS SUPPLEMENTARY SUBMISSION TO INQUIRY INTO CHILD CUSTODY ARRANGEMENTS IN THE EVENT OF FAMILY SEPARATION

As you are aware, on 5 September 2003, the Department of Family and Community Services lodged its submission to the Committee's inquiry into child custody arrangements, and appeared before the Committee on 15 September 2003.

The supplementary submission addresses a number of issues raised by Committee members at the 15 September hearing.

A hard copy of the department's supplementary submission is attached. The submission has been authorised by the Secretary of the Department, Mark Sullivan.

The supplementary submission has also been emailed to fca.reps@aph.gov.au.

Yours sincerely

(signed)
David Kalisch
Executive Director
Family and Children

16 October 2003

Telephone: (02) 6212 9218



DEPARTMENT OF FAMILY AND COMMUNITY
SERVICES (FACS) **SUPPLEMENTARY**
SUBMISSION TO THE
HOUSE OF REPRESENTATIVES STANDING
COMMITTEE ON FAMILY AND COMMUNITY
AFFAIRS
**INQUIRY INTO CHILD CUSTODY
ARRANGEMENTS IN THE EVENT OF FAMILY
SEPARATION**

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EXECUTIVE SUMMARY

When FaCS last appeared before this House of Representatives Inquiry into Child Custody, the Committee raised a number of issues that warranted further information being provided to the Committee by FaCS. These issues focused predominantly on child support matters.

The main issues that were raised by the Committee included:

- the diversity of Australian families;
- the possible impact on child support and government benefits if there was a greater incidence of 50/50 shared parenting by separated parents;
- the possibility of taking a new partner's income into account when assessing child support liabilities;
- the costs of children research used for child support formula purposes; and
- greater information on the scope within existing administrative arrangements for the Child Support Agency to vary child support liabilities according to various circumstances.

Diversity of Australian families

Some members of the Committee suggested that Australian families had become more diverse over recent years and there was a risk that advice to Government was based on outdated understandings of Australian families.

FaCS shares the view that advice to Government needs to be soundly based on the best available and most current evidence. This is one of the reasons FaCS suggested to the current Government that it needed to invest heavily in quality, new data about the family, household and work arrangements of Australian families and, importantly, how these family arrangements change over time. The first wave of data from the new Household, Income and Labour Dynamics in Australia (HILDA) longitudinal survey has already given us a richer understanding of the diversity and dynamics of Australian families, with more information to be available in later years through follow-up data collections. This complements the information available on Australian families from the ABS, other social surveys and administrative data sets.

The main findings we have drawn to the Committee's attention about Australian families include:

- the growing incidence of separation and growth of lone parent households;
- the high incidence of family separation that involves very young children;
- the many variations of household arrangements involving children, which vary from living with both biological parents, living with only one biological parent, living with one biological parent and other relatives (especially grandparents), one biological parent sharing a residence with non-relatives, to children being cared for in households with no biological parent;
- the lower average income of families that have separated compared to those that are intact, and that lone parents have lower average incomes than those who have repartnered.

The Committee may find the information we have drawn together on the post-separation experience of families most interesting:

- both men and women who have separated generally take some time before they form new relationships, and a number do not repartner;
- many new relationships post-separation often do not involve cohabitation at first, but may then progress to cohabitation and/or remarriage at a later stage, with defacto relationships now much more common than remarriage;
- those people who do repartner tend to do so with someone with a similar socio-economic situation (employment status and income), educational attainment, race, etc.;
- there is wide variation in the involvement of new partners in raising children where they are not the biological parent;
- second and subsequent relationships of people who have previously separated/divorced have a greater likelihood of also failing, and some parents can have a number of relationships, sequentially, over a relatively short period.

Impact of more 50/50 shared parenting

The Committee asked FaCS to do some analysis of the possible impact of more families having a 50/50 shared custody arrangement, and FaCS has prepared estimates of the potential impact on overall child support transferred between parents and the implications for spending on government income programs. This has been prepared on the most reliable basis using existing administrative data sources, but does have a number of caveats and assumptions that we have spelt out for the Committee.

These estimates prepared by FaCS suggest that for every ten per cent of the child support population shifting from the current (usual) situation of one parent with sole care and the other parent having very modest contact to a situation where care is shared 50/50:

- there would be a net reduction in child support transferred of around \$120 million a year, reflecting the impact within the existing child support formula of taking into account greater shared care and costs to the payer; and
- there would be a cost to the Australian government of around \$52 million a year, largely reflecting the increased rate of assistance provided to the second parent who now has shared care of their children.

The cost to government would be higher if government introduced legislative changes to make Parenting Payment available to more than one parent or reduced Newstart Allowance requirements where both parents were sharing equally in the care of their children.

Suggestion to include new partner's income in child support assessments

At the previous hearing when FaCS appeared before the Committee, the Committee suggested that further consideration should be given to including the income of new partners in assessing the child support liability, drawing upon the example of a low-middle income payer contributing child support to the household of a former spouse who has repartnered with someone on a high income.

This Committee is not the first to consider the possibility of including the income of new partners when calculating child support liabilities. Past deliberation of this issue, when the child support formula was first developed as well as every major review since then, decided

that it would not have been a sound step. It would dilute the responsibility of biological parents for the financial support of their children (shifting some or all of it to new partners of separated parents) and would remove the first key objective of our current child support arrangements.

FaCS has also come to this conclusion that there should be no change to the treatment of incomes of new partners for a number of reasons:

- the dynamics of relationship formation noted above does not suggest this is a static situation with many changes possible over a relatively short time;
- the example cited by some members of the Committee of a resident parent repartnering with someone who has a high income is very much an exception, drawing upon the research that people repartner with like people;
- for many separated parents, there can be scant clarity and considerable administrative difficulty around determining whether they have a relationship (involving cohabitation) where it can reasonably be expected that the new partner will contribute financially to raising children that are not their own;
- as any change would have to apply to any new partners of both the child support payer and payee, there would be a multiple increase in the administrative complexity and, we would suggest, in the complaints received that related to child support arrangements; and
- including the incomes of new partners in child support assessments would also more than likely lead to even fewer payers and payees repartnering, as new partners are discouraged by the increased financial responsibility involved.

The scenarios prepared by FaCS designed to show the possible impact of including new partner incomes demonstrate that there would be large changes to child support paid and received in the exceptional case where one separated parent repartners with someone on a high income and the other separated parent has a low income. More modest incomes of new partners, the usual case, would have a lesser impact on child support liabilities.

In these examples, there is little change to government benefits, with the change shown to predominantly impact directly between payers and payees. These scenarios also demonstrate the administrative complexity of such an arrangement, even with the assumption that assumed financial responsibility of new partners is not contested.

Costs of children research

At the previous hearing, the Committee asked a number of questions related to the research around the costs of children. While the original submission by FaCS to this Committee included some information on the costs of children research, this Supplementary Submission includes more detailed information and assessment (including caveats) of the findings from both the National Centre for Social and Economic Modelling (NATSEM) and the Social Policy Research Centre (SPRC) research.

On balance, FaCS suggests that the child support formula as it currently operates is broadly well based when compared to the results of the costs of children research. The administrative simplicity and impact of the current formula based on gross income and indifferent to the age of the child compares well, broadly, to the research that shows families on higher incomes paying more for their children (that declines as a proportion of

income as income increases) and the costs of children increasing as they age. As noted in our earlier submission, the research does provide some support for the measure (recommended by the Joint Select Committee on Certain Family Law Issues) and introduced by the Government to reduce the high-income cap applied to child support assessments. This was defeated by the Senate in June 2001.

Change to formula assessment

The Committee also raised, at the previous hearing, a number of issues which separated parents can address in the change of assessment process. Relatively few people seek a variation from formula assessment, although those who do seek such an adjustment appear to have a reasonably good success rate. Details are provided on the numbers involved and the issues to be considered in taking into account through the change of assessment process:

- legal costs relating to contact;
- the costs relating to another person that the payee has a legal duty to support; and
- parents' expenditure on re-establishing themselves after separation.

There are ways to better promote current arrangements.

1. PURPOSE OF SUBMISSION

The purpose of this supplementary submission is to provide a response to the Committee on the major issues raised with FaCS at the hearing of 15 September 2003. These issues included:

- diversity of families;
- possible impact on child support and government assistance if there were increased take-up of 50/50 shared care arrangements;
- possible changes to the way in which the child support formula deals with repartnering;
- cost of children research; and
- how parents' special circumstances are addressed in child support assessments.

2. AUSTRALIAN CHILDREN AND FAMILY DYNAMICS

Living arrangements for children, and transitions in families with children can be very dynamic. FaCS understands this and seeks to take it into account in its advice to Government.

The majority of Australian children live with both biological parents (whether married or in a defacto relationship) throughout their childhood. Of children born into an intact family, 73 per cent will have their parents still living together when the child turns eighteen. But given that some are born to a lone mother the percentage of all children that are with both biological parents for their whole 18 years is 70 per cent (de Vaus and Gray 2003). That means that 30 per cent of children experience transition in their families or live with just one or neither biological parent until they are 18 years. Financial support for those children will potentially be affected by any change to the current Child Support system. Child support records show that 27 per cent of children are under one year old when child support first becomes payable and 70 per cent are under the age of six.

An example of the variety of family forms which include children is that thirteen different living arrangements for children under 15 years were identified in 2001 at the time of the Household, Income and Labour Dynamics in Australia Survey (HILDA). Those arrangements included living with a sole parent (the next largest group after those living with both parents); living with a sole parent who has repartnered; and living with neither parent. Both HILDA and child support data suggest that around 6 per cent of separated parents share the care of children (each parent has the children in their care for at least 30 per cent of nights each year).

The HILDA results showed that at the survey date 26 per cent of children did not live with both biological parents; and 1.2 per cent did not live with any biological parent (Brandon 2003). A child can experience multiple transitions after parental separation, not always into a stable step or blended family. Subsequent repartnering after separation can break down and other adults in a household can include grandparents, siblings, aunts and uncles. AIFS analysis of the HILDA results reveals that by the age of 18 years, at least 12.9 per cent of children born between 1976 to 1983 had experienced three or more family transitions (where a family separates or forms) by

the time they reached 18 years of age (de Vaus and Gray 2003). An indicator of multiple breakdowns is provided by child support statistics that show 45 000 payees receive child support from two or more payers and 40 000 payers pay child support to two or more payees.

There are more variations in children's living arrangements which are not included in the HILDA survey for technical reasons. They are children living in institutions or boarding, and some of the scenarios experienced by Indigenous children in remote communities.

The financial resources available to care for children vary according to family type and living arrangements. Intact families are generally financially better off than others, with the HILDA data showing married biological parents as having the highest median annual income of all the groups (\$61 833) (Brandon 2003). One of the reasons for this is that married women with children are more likely to be in full-time employment than single mothers, although the numbers of single mothers in part-time employment has more than doubled since 1983 (Gray et al 2003).

While eleven per cent of children in 2001 were born to a lone mother living without a partner, divorce and separation are the main pathways to single parenthood. The second largest group of children under 15 years in HILDA (19.3 per cent) live in a sole parent household, including those where a grandparent may also be present (Brandon 2003). The ABS projects that the proportion of 0-14 year olds in one-parent families will increase to 22 per cent in 2021 (ABS 1999b).

The median incomes of lone parents (\$18 275 for single mothers, \$22 800 for single fathers) shows that becoming a lone parent usually involves a substantial reduction in financial circumstances. Women in particular are found to be financially disadvantaged by divorce. Communication, relationship problems, abuse and external pressures have been given as reasons for divorce (Wolcott & Hughes 1999). Family Court figures show that 30 per cent of people give family violence as a reason for seeking separation and 5 per cent of applications filed about children's matters involve allegations of abuse (Brown 2003).

Of children living in sole parent families, some also live with a grandparent present (15.9 per cent live with a mother only; 1.9 per cent with a father only; 1.5 per cent with their mother and a grandparent; and 0.1 per cent with their father and a grandparent) (Brandon 2003). Studies of intergenerational support reveal that it is more likely that grandparents in multi-generational households support their children and grandchildren rather than the grandparent being present in order to receive care for themselves.

ABS remarriage data from 1976 onwards shows that the incidence of remarriage is decreasing, women are less likely to repartner than men and tend to take longer than men to remarry. In 1993 the median interval to remarriage for divorced people was 3.2 years for women and 2.8 years for men. These intervals have changed little in recent years (ABS 1995).

AIFS research has shown that, although repartnering may bring economic benefits, non-financial considerations (such as personal emotional wellbeing and that of

children) as well as practical matters are reasons why many divorced people do not repartner (Smyth & Weston 2000). Men are more likely to remarry than women and men tend to marry someone younger than themselves (ABS 2000). Other studies suggest this possibly reflects women's lower desire to remarry compared with men, or that they have fewer opportunities to find a partner, particularly when they have children in their care (De Vaus et al 2003).

In 2001, 33 per cent each of grooms and brides who remarried had children (aged under 16 years) from previous marriages. This was double the proportion in 1981 when 16 per cent of grooms and 17 per cent of brides remarrying had children (ABS 2002). However, marriage rates do not reflect the current trend towards repartnering, with AIFS suggesting most lone parents would eventually repartner.

The decline in the rates of remarriage and the rise in numbers of people cohabiting before marriage indicate that fewer people are choosing to remarry but to repartner through cohabitation. In 2001, 72 per cent of couples indicated they had cohabited prior to marriage compared with 31 per cent in 1981 (ABS 2002). For a proportion of parents, there may be serial repartnering as new relationships break down and others are formed. Although there is not enough data to analyse the rate or duration of defacto repartnering of parents with children, we know that step or blended families are more likely to be formed by defacto rather than married couples.

In 1997, the ABS reported that stepfamilies made up 4 per cent of families with children aged 0-17 years, and blended families were 3 per cent of all such families. In 2001, 38.5 per cent of blended families in which there was a child under 18 were formed by a cohabiting couple and in 53 per cent of step families the parents were cohabiting¹ (Gray 2003). 6.5 per cent of child support payers currently have a natural or adopted child from a different relationship in their care.

AIFS analysis of the HILDA data finds that by the time children had reached 15 years of age, 16.6 per cent of children born between 1981-85 had lived in a step or blended family. At the time of the survey, HILDA reported 5.9 per cent of children under 15 years living with a biological parent and the parent's partner (whether defacto or married) (Brandon 2003). This shows that there is a degree of movement for children in and out of families formed from repartnering.

Divorce data shows that couples that were previously divorced are slightly more likely to divorce than those who had not been previously married (ABS 1999a). AIFS suggests that second relationships (whether married or defacto) are more likely to break down than the first (Gray 2003). FaCS Parenting Payments Claims Surveys reveal that relationship breakdown is one of the most significant reasons for claiming Parenting Payment at the single rate (FaCS 2002). This supports evidence provided earlier in the submission, that many children experience multiple family transitions

¹ ABS definition: A blended family is a couple family containing two or more children, of whom at least one is the natural child of both members of the couple, and at least one is the stepchild of either member of the couple. A step family is a couple family containing one or more children, at least one of whom is the stepchild of either member of the couple and none of whom is the natural or foster child of both members of the couple.

after parents separate as subsequent relationships have a greater likelihood of breaking down.

The HILDA data reports 1.2 per cent of children living with no biological parent. This includes those living with grandparents, foster parents, and other adults including siblings (Brandon 2003).

2.1. Summary of incomes of child support payers and payees

Capacity to pay child support is primarily determined by a parent's income. The following table outlines the weekly child support liability of parents registered with CSA. The average child support in all cases in July 2003 was \$57.23 per week and over 50 per cent of CSA payers pay \$40 or less in child support weekly.

Table 1: How much do parents pay?

Proportion of CSA payers	Weekly child support
39.7%	\$5 or less
56.2%	\$40 or less
78.5%	\$100 or less
21.5%	\$100 or more

Source: CSA Client Research Dataset, June 2003

The reason for the large proportion of CSA payers paying very modest amounts of child support is due to the high concentration of payers with low incomes. Payers' median income is \$19 814. An even larger proportion of CSA payees are on low income (CSA, unpublished data).

Table 2: Child support income of payers and payees

Income Range \$	Payer		Payee	
	Number	Percentage	Number	Percentage
0-10,000	217,808	31.8	506,466 *	74.0 *
10,001-20,000	125,245	18.3		
20,001-30,000	129,117	18.9	97,843	14.3
30,001-40,000	85,468	12.5	42,218	6.2
40,001-50,000	55,910	8.2	20,485	3.0
50,001-60,000	31,890	4.7	9,984	1.5
60,001-70,000	16,240	2.4	3,644	0.5
70,001-80,000	8,275	1.2	1,432	0.2
80,001-90,000	4,585	0.7	729	0.1
90,001-100,000	2,651	0.4	413	0.1
100,001-110,000	1,671	0.2	265	0.0
110,001 and over	5,290	0.8	669	0.1
All	684,150	100.0	684,148	100.0

Source: CSA Client Research Dataset, June 2003

* This number and percentage for payees relates to the income range \$0-20,000.

Around 91 per cent of CSA Collect payers are male and 9 per cent are female. Likewise, around 9 per cent of CSA Collect payees are male and 91 per cent of CSA Collect payees are female (CSA, unpublished data).

2.2. Extent to which payers and payees repartner with high/medium/low income earners

The Child Support Agency does not collect figures on the income of new partners of child support payers and payees as their income is irrelevant to the current calculation of child support.

FaCS can build a picture of the likely repartnering trends by income range through research on remarriage, repartnering and labour force participation, but this is indicative only of likely trends. The accepted view among researchers in this field is that “like marries like” and this applies to a range of characteristics such as attitudes, values, height, appearance, ethnicity and class. Overall, the research indicates that people generally partner within a similar income range.

More recently, the rise in Australia in the percentage of men and women who are not living with a partner has partly been attributed to a mismatch between the types of men and women who are available to partner. Disproportionate numbers of unpartnered men have low education levels and poor job prospects, with economic restructuring playing a major role. It seems that better educated, employed women are choosing not to partner compared with the alternative of partnering with a less educated or unemployed man, not because they are not good “breadwinners” but because they are regarded as unlikely to contribute to an equal collaborative relationship (Birrell and Rapson 1998).

It is atypical for a person (man or woman) on a low income to partner with a high income earner. As most male payers of child support are on a low income, it is likely their repartnering prospects with a woman in a much greater income range are slight. Similarly, as most recipients of child support are not employed but dependent upon welfare payments, they also have a low likelihood of repartnering with someone with much higher income.

The figures and research indicate that:

- Parents (especially women) delay repartnering and when they start a relationship, will not necessarily cohabit but live separately. There seems to be a transitional stage where the other concerns outweigh the prospect of the financial benefit of repartnering.
- In the transitional stage, for parents on Parenting Payment single there may be a financial disadvantage to repartnering with someone who is also on a low income, but when they do repartner and cohabit, these parents typically do so with others on a low income (Gregory 2003). Of low income parents on Parenting Payment who do repartner and cohabit, the relationship will break down roughly half of the time.

- Mothers are more likely to be employed if they are in a couple relationship. It is likely that employed women partner with employed men, and that mothers feel better able to participate in employment if they are partnered. Conversely, single mothers who become employed may be more likely to repartner than those who stay out of the workforce.
- Generally, people partner within a similar socio-economic range. Birrell and Rapson theorised that better educated and employed women may prefer to remain single than partner with someone less educated or unemployed.

3. IMPACT ON CHILD SUPPORT, FAMILY ASSISTANCE AND SOCIAL SECURITY OF INCREASED TAKE-UP OF 50/50 SHARED CARE ARRANGEMENTS

If there were an increase in the number of separated families who adopted broadly equal care of children after separation rather than one parent continuing to have the sole or predominant care, the main impacts on child support and social security payments, including Family Tax Benefit (FTB), would be as follows:

- a reduction in the level of child support paid between former partners, and some payers becoming payees (and vice-versa);
 - this would result from application of the lower percentages for shared care in the formula and the offsetting of each parent's child support liability to the other;
 - a swap between payers/payees would occur where the payee's income is greater than the payer's income;
- a reduction in FTB Part A and/or Part B to one parent, and the other parent becoming eligible for a shared rate of FTB Part A and/or Part B;
 - full rent assistance at the "with child" rate may be paid to both (ie it is not affected by the shared care percentage);
 - the impact on FTB Part B would in many cases be a 50 per cent reduction for one parent, matched by a 50 per cent gain to the other parent. However, this depends on whether the parents have repartnered (and income of the secondary earner), and the presence of any other children from other relationships;
- an increase in the level of social security income support;
 - if the parent now with extra care is receiving Newstart Allowance and is single, the higher "with child" rate would generally become payable. However, if the other parent was not already receiving Parenting Payment (eg, income is above the cut-out level), the parent with extra care could become eligible for Parenting Payment;
 - if the parent with reduced care already receives Parenting Payment, this would continue at the same rate.

A precise costing of such a change would require full details of the incomes of families affected, and numbers of natural and step children, of all payer and payee families. Such information would only become available upon payers claiming FTB.

However, FaCS has undertaken some indicative modelling to estimate the broad financial impact of increased 50/50 shared care, using a number of simplified assumptions, and noting some limitations of readily available data. These include:

- assuming that the greater incidence of shared care occurs evenly across the income distribution of separated parents;
- assuming there are no behavioural impacts due to the extra/reduced care (eg, no change in employment level by either parent);
- noting limitations on data for payer family incomes, so that payer income was derived from child support paid, and thus does not include any partner income for those payers who have repartnered;
- using approximations of the expected average rates of FTB Part A for parents gaining payment, and assuming the proportion eligible for rent assistance would be similar to the general Newstart population;
- using approximations of the reduction in child support for parents with reduced care;
- assuming that the varying impacts on FTB Part B for different family circumstances balance out approximately equally (ie the overall effect is neutral).

In terms of the scenario where **an additional 10 per cent** of the child support population (68 500 separated families) adopt equal care of children after separation from the current situation where the average level of care by one parent is very low, it is estimated that:

- the amount of child support transferred between payers and payees would reduce by \$120 million per year, including by \$101 million for cases where FTB is also received (58 600 separated families);
- overall, the increases in FTB Part A (\$160 million, average \$105 pf) would exceed the reductions in FTB Part A (total \$133 million, average \$88 pf), resulting in extra government expenditure of \$27 million per year;
- the separate gain in rent assistance for parents with extra care would be \$12.5 million per year (17 500 customers);
- the increase in Newstart Allowance outlays due to receiving the single, with dependent child, rate would be \$12.5 million per year (15 700 customers).

In total, the net cost to government would be of the order of \$52 million a year for each additional 10 per cent of the child support caseload opting for 50/50 care (from the existing average situation of one parent with “sole” care and the other parent has very limited care).

If the number of separated families adopting equally shared care were to increase by an extra 20 per cent, or by an extra 30 per cent, the financial impacts noted above would approximately double, or triple, respectively.

4. PRINCIPLES AND PHILOSOPHY OF THE CHILD SUPPORT SCHEME

The Child Support Scheme (CSS) was introduced with the bi-partisan support of Parliament to address serious concerns about child and lone parent poverty (Australia Parliament 1986).

Private parental responsibility for the financial wellbeing of children, rather than reliance on Government funded programs, is the underlying philosophy of the Scheme.

The objectives of the Scheme were amended by the Government in 1997. They are:

- parents share in the cost of supporting their children according to their capacity;
- adequate support is available to all children not living with both parents;
- Commonwealth involvement and expenditure is limited to the minimum necessary for ensuring children's needs are met;
- work incentives for both parents to participate in the labour force are not impaired; and
- the overall arrangements are non intrusive to personal privacy and are simple, flexible and efficient (Australia Parliament 1997).

The legislative framework for the operation of the Child Support Scheme is contained in the *Child Support (Registration and Collection) Act 1988*, and the *Child Support (Assessment) Act 1989*. The child support legislation provides for administrative assessment of child support payable (the formula).

5. CURRENT PRINCIPLES AND PRACTICES OF THE CHILD SUPPORT SCHEME WITH REGARD TO SECOND FAMILIES

This section sets out current practice within the Scheme regarding:

- the sharing of parental income;
 - where the payer has a subsequent family;
 - the treatment of parental income where the care of children is shared;
- and discusses previous recommendations that have considered the appropriateness of taking account of incomes of new partners.

5.1. Children share in the income of separated parents as if they were still in an intact family

From the outset of the Scheme, the formula percentages were defined on the basis of the proposition that wherever possible children should enjoy the benefit of a similar proportion of parental income to that they would have enjoyed if their parents lived together. This proposition is based on the view that children should not be the economic losers from the separation of the parents or where the parents never lived together (Commonwealth of Australia 1988).

5.2. Treatment of families where they have subsequent children

The formula makes allowance where the payer has a second family by recognising "relevant dependent children". A relevant dependent child is defined as a child of the

payer from another relationship for whom the payer is caring, and may be a natural or adopted child of the payer. It may also include a step-child where a court has ordered that a parent is liable for maintenance and the child subsequently lives with that parent.

The exempted income amount of a payer with relevant dependent children increases from 110 per cent of the single pension rate to 220 per cent of the partnered pension rate (e.g. from \$12 315 to \$20 557 per annum) *plus* an additional rate for each child (\$2235 for a child under 13 years, \$3119 for a child 13-15 years, and \$4672 for a child 16 years and over).

For example, Ben and Judith have twin children, Caroline and Rebecca aged 6 years, Ben earns \$39 000 per annum and Judith \$19 000 per annum. They separate, with Judith having sole care and Ben's child support liability is \$7205. Ben repartners with Pixie and subsequently has a daughter Kim. As Kim is a relevant dependent child, Ben's child support liability reduces to \$4376.

In another example Ken and Diana have one child, Stacey aged 8 years, with Ken earning \$44 000 and Diana \$35 000. Ken separates from Diana who retains sole care of Stacey and Ken's annual child support liability is \$5703. Ken repartners with Shannon and they subsequently have a child Susan. Ken's liability reduces to \$3817.

5.3. Treatment where substantial care is provided by both parents

If both parents share the care of one or more children, or one parent is an eligible carer of one or more children and the other parent is also an eligible carer of one or more children, the child support formula is modified. As can be seen in [Table 3](#) below, the normal formula percentage reduces once the payer has 110 nights (30 per cent) with the reduction being determined by the particular level of care – e.g major, shared or substantial. The level of care is usually based on the number of nights that the child will stay with each parent in the first 12 months of the child support period.

Table 3: Relevant child support percentage that would be payable for one child according to the number of nights that child spends in the payee's care

Level of Care (in payee's care)	Number of Nights (In first 12 months of child support period)	Child Support %
Sole	256 nights or more	18
Major	220 - 255 nights	14
Shared	146 - 219 nights	12
Substantial	110 - 145 nights	8

N.B. The percentages may vary according to the number of children that a payer has, or the presence of multiple child support liabilities.

The levels of care and their associated treatment of parental income are as follows:

- **Shared care**

Shared care occurs where the parents share care of the children for between 40-60 per cent of the time. For example, if a child lives with their mother 4 days a week and lives with their father 3 days a week, CSA calculates what each parent should pay the other to recognise the time the child is in the other parent's care. Each parent's exempted income is 110 per cent of the single pension rate (currently \$12 315). There is also an allowance for each shared child in their care and the percentage is reduced to recognise the time the child lives with that parent. For example, for one child in shared care, the percentage is 12 per cent.

- **Substantial care**

Substantial care occurs when a parent has a child for at least 30 per cent of the nights in the first 12 months of the child support period, but less than 40 per cent of the nights. For example, 2 nights a week plus half the school holidays. CSA can also recognise substantial care that is less than 30 per cent of the nights if the parents agree there is substantial care. For the parent providing substantial care, the exempted income is 110 per cent of the single pension rate (currently \$12 315), ie the same amount as for a parent with less than 30 per cent care.

- **Major care**

Major care occurs when a parent has a child for 60 per cent to 70 per cent of the nights. CSA can also recognise major care where the parents agree. Usually where one parent provides substantial care for a child the other parent will be providing major care for that child. The exempted income of the parent providing major care is 220 per cent of the partnered pension rate (currently \$20 557) plus an allowance for each relevant dependent child (determined by the age of the children), ie the same as a parent with sole care.

Additionally, the formula can also respond to divided care, ie where one child lives with one parent, and another child of the same relationship lives with the other parent. CSA calculates what each parent should pay the other for the children in their care. The exempted income amount of both parents is 220 per cent of the partnered pension rate (currently \$20 557) plus an allowance for each child (determined by the age of the children). The difference between the two amounts is then calculated and the standard percentages are used in the formula.

Usually one parent has to pay the other because there is a difference in their incomes, or there is a difference in the ages or number of children in their care.

5.4. Previous recommendations on treatment of new relationships in the child support formula

The Child Support Consultative Group (CSCG) took the view that "...the incomes of new partners of either parent should be disregarded in determining the liability of those parents to provide financial support for their children, and this was strongly supported by public submissions. The Scheme is intended to be one which operates between the parents of the child or children concerned. This accords with the present legal position under the *Family Law Act 1975*. Natural and adoptive parents have

primary liability for the support of their children, and stepparents have only a liability that is secondary to that of those parents” (Commonwealth of Australia 1988, p. 63).

The Child Support Evaluation Advisory Group (CSEAG) in 1991 affirmed the practice of not including a partner’s income in child support assessments (the focus of their discussion was on non-resident parents who repartner rather than resident parents). They concluded:

“The inclusion of new partners’ income would greatly increase the complexity of the formula. There might be further complexities if, for example, some reasonable adjustments were allowed to the new partner’s income (such as an allowance for the costs of other children for which the partner, but not the custodial or non-custodial parent was responsible – either stepchildren or children for whom another child support liability was due)” (Commonwealth of Australia 1991, p. 229).

This position was further reinforced by the Joint Select Committee in 1994 who indicated that they were

“...concerned that the inclusion of spousal income would tend to equalise the living standards of the respective households irrespective of their decisions or actions. It would also mean that the new spouses would be economically linked until all the children of their partner’s former relationship had attained the age of 18 years thereby sharing the full impact of decisions over which they have no control. The Joint Committee considers this to be unacceptable and as a result considers the current exclusion of spousal income by the formula to be appropriate. This treatment of spousal income is also consistent with the *Family Law Act 1975* and the general principle of the Scheme that biological parents have the primary responsibility for the support of their children. The inclusion of spousal income in the formula would also significantly increase the complexity and administrative cost of the Scheme.” (Commonwealth of Australia 1994, p. 410).

6. TAKING PARTNER INCOME INTO ACCOUNT IN THE CHILD SUPPORT FORMULA

The Committee has requested information about the practicality and likely impact of taking the income of a new partner (of either or both of the payer or the payee) into account in calculating child support liabilities.

6.1. Objectives of scheme

As stated above, the objectives of the scheme are that a child should share in the income of their natural parents, according to their capacity to pay. There is no suggestion in the current objectives of the scheme that children should have access to the income of new partners of their parents purely because their partners have repartnered, still less that such access should be enforced by a government agency.

Similarly, other children of the natural parents are taken into account in the formula as “relevant dependants” and, if a court holds the natural parent legally responsible for

the care of additional children, they can also be counted. However, the partner's children are not usually counted in assessing the natural parent's child support liability.

Taking the partner's income into account would represent a fundamental change in the objectives of the scheme.

6.2. Existing treatment of new partners

The primary objective of the Child Support Scheme is to ensure that the natural parents of children are primarily responsible for their financial care based on their capacity to do so. The income of any new partner does not change that responsibility. Hence the calculation of the child support liability is based on the income of the two natural parents, taking into account the children of the relationship and other children of the natural parents. Within the formula, there are payer exempt income amounts which vary according to the number of relevant dependants (as explained in Section 5.2), and the payee disregarded income.

The different treatment, under social security and family assistance legislation, of a new partner's income derives from the need to direct government assistance for families and income support to those most in need.

Hence family assistance and income support payments take into account the composition and joint incomes of all the members of the household to which the payments are directed. Where two people are living together as a married or de facto couple, their joint income and the presence of any dependent children is taken into account in assessing entitlement to social security payments and FTB. This recognises the ability of each member of a couple to access the pooled resources of the household and acts to reduce Government expenditure.

Thus the treatment of partner income in social security or FTB income testing is not relevant to the design of the Child Support Formula.

6.3. Difficulty of assessing de facto or marriage-like relationships

Section 2 noted the evidence that separated parents often take some time to repartner, do not necessarily cohabit at least initially, tend to repartner rather than remarry, and the high incidence of these arrangements failing over time and the forming of subsequent relationships.

Given such trends, an issue is at what point in the development of the relationship could the incomes of any new partners of both payers and payees be taken into account for the child support assessment.

Current social security and family assistance legislation treats de facto or marriage-like relationships the same as legally married couples for income testing purposes. There is no definition of a marriage-like relationship. Instead, decisions must be made on a case by case approach of whether there is a marriage-like relationship having regard to all the circumstances of the relationship, including:

- the financial aspects of the relationship;

- the nature of the household;
- the social aspects of the relationship;
- any sexual relationship between the two people; and
- the nature of the commitment to each other.

Deciding whether a relationship is marriage-like is widely acknowledged as a very complex area of decision-making. Appeal tribunals and courts have often noted the difficulties involved in making such decisions, and it continues to be an area that attracts a significant level of appeals.

If income of partners were to be taken into consideration when assessing the child support liability, among the issues to be resolved would be:

- how the de facto relationship would be assessed; and
- whether there should be some additional criteria regarding when the de facto partner should assume some financial responsibility for their partner's children, which would necessarily lead to some reduction in responsibility of the biological parent;
 - Eg after one or two years of a marriage-like relationship.

Clearly, substantial additional administrative complexity, and room for conflict between separated parents, would be brought into the Scheme, and more than likely extra parties complaining to both the CSA and local Members of Parliament.

6.4. Effect on calculation of child support

Putting aside for the moment the extreme difficulty of administering such arrangements, FaCS has prepared scenarios illustrating the possible effect of taking partner income into account *within the current formula*, ie with no changes to the existing payee disregarded income or payer exempt income amounts. These scenarios are at Attachment A.

In these scenarios, we have brought together examples of four intact families with children, with differing employment status and income levels, who all separate and then repartner.

We have constructed these examples so that the eight parents repartner with each other to a greater or lesser extent, to demonstrate the impact on child support and government benefits of repartnering.

Scenarios A (ii) illustrate the effect of including partner income in the child support assessment, *assuming that the other parents have not repartnered*. From the payer's perspective:

- Dick pays the same amount as Jill has no income;
- the child support Jack pays increase from \$260 to around \$3500 as Sally's income is included;
- Woody pays the same amount as Dora has no income;
- the child support Harry pays increases from around \$12 900 to \$28 900 as Mia's income is included;

and, looking at the same cases from the payee perspective:

- the child support Jill receives does not change as:
 - Jack is already on minimum assessment; and
 - Jill and Dick's combined income is less than the payee's disregarded income;
- the child support Sally receives remains the same, as Sally and Jack's combined income is less than the payee's disregarded income;
- the child support Dora receives declines from around \$4800 to \$1200 as Woody's income is included;
- the child support Mia receives declines from around \$20 500 to \$12 400 as Harry's income is included.

In the scenarios where a payer has repartnered with a payee, but both their former partners have not repartnered (Scenarios A (ii)):

- the payer family has lower disposable income, especially where they repartner with someone on middle/high incomes;
- the payee family has higher disposable income, especially where their former partner's new partner has middle/high income
- there is little change in government assistance in these scenarios.

If the resident parent has not repartnered, the effect of including the income of the non-resident parent's new partner is to increase the child support payable by the non-resident parent. If the non-resident parent has not repartnered, the effect of including the income of the resident parent's new partner is to decrease the child support received by the resident parent, provided their combined income is high enough. Income of any new partner is treated exactly the same as the income of biological parents.

Scenarios A (iii) illustrate the effect of including partner income in the child support assessment, *once both parents have repartnered*:

- the disposable income available for Dick, Jill and Jill's children increases by around \$5800 per year, due to a fall of \$3600 in the child support Dick pays, and a rise of \$3300 in the child support Jill receives. However, the increase in Jill's child support also results in a decline of around \$1000 in the family's FTB;
- the disposable income available for Jack, Sally and Sally's children increases by around \$12 800 per year, due to a rise of \$16 000 in the child support Sally receives, offset by a rise of \$3300 in the child support Jack pays;
- the disposable income available for Woody, Dora and Dora's children increases by around \$3800 per year, due to a fall of around \$8100 in the child support Woody pays, offset by a fall of around \$3600 in the child support Dora receives, and a fall of around \$700 in FTB (resulting from the reduced child support paid); and
- the disposable income available for Harry, Mia and Mia's children falls by about \$23 700 per year, due to a rise of around \$16 100 in the child support Harry pays and a fall of \$8100 in the child support Mia receives. They do, however, receive nearly \$500 more in FTB.

In the scenarios where both the payer and the payee has repartnered (Scenarios A (iii)):

- there is added complexity to child support arrangements through having to take account of the potential income of four adults rather than just two adults;
- in these examples, the impact on disposable income for the new household depends not only on the income of the new household, but also on the respective incomes of their former spouses **and** their respective new partners;
- taking account of the incomes of new partners in a child support assessment can create **large increases** in child support received and paid and **large falls** in child support received and paid (of up to \$16 000 in the scenarios we have presented) depending upon the circumstances;
- smaller changes in child support paid and received would take place where those who separate repartner with someone in like circumstances to their former partner **and** where their former spouse repartner with someone in like circumstances to their former partner;
- again in these scenarios, the main changes occur with child support paid and received, with limited or no change to the level of government assistance.

This analysis does not look at the case where the new partner also has dependants. If a new partner's income were included in the liable parent's child support assessment and the new partner were to bring children from a previous relationship into the household, it would also appear that these children should be treated as relevant dependants and included in the formula assessment. This would bring further complexity into the administration of the scheme.

6.5. Incomes of child support payers and payees and repartnering patterns

We know that both child support payers and payees have disproportionately low incomes compared to the rest of the population:

- just over 30 per cent of payers have a child support income of less than \$10 000 per year, and around 50 per cent have a child support income of less than \$20 000 per year;
- around 75 per cent of payees have an income of less than \$20 000 per year.

We also know from other research that on the whole there can be quite a delay in separated parents repartnering, and when they do repartner there can be significant questions over the level and duration of attachment. Evidence that people in like circumstances tend to repartner also suggests that taking account of partner income would in most circumstances not make much difference to child support, but at a cost of much more complex and intrusive administration.

6.6. Impact on incentives to repartner

The ability of separated parents to repartner is already limited, and second relationships are more likely to break down than first ones. To include partner income in the child support formula is to place on the new partner both an emotional and a financial expectation from the community at large that new partners may be unwilling or unable to fulfil and which the child's parent may not necessarily share.

For the new partners of non-resident parents, the additional child support payable creates an expectation that the new partner will contribute financially to the children of the previous relationship even if they have little contact with or no particularly close relationship with the children.

For the new partners of resident parents, the reduction in child support received by the resident parent will create an expectation that the new partner will contribute financially as well as emotionally to the children.

Such expectations and the related financial contributions are likely to reduce the incentives to repartner with separated parents, and to increase the perceived barriers to finding new partners that separated parents face.

6.7. Summary

Taking partner income into account in the child support formula:

- would represent a fundamental change in the objectives of the Scheme;
- would create additional administrative complexity and room for conflict between separated partners within the Scheme;
- would create community expectations regarding the role of new partners that may not be shared by the new partner, the children's parents or the children themselves;
- would create additional financial disincentives to repartner for both the separated parent and the potential new partner; and
- may not make a large amount of difference anyway to a substantial proportion of those affected (payees on very low incomes, and payers with relevant dependent children on very low incomes).

7. ESTIMATES OF THE COST OF CHILDREN IN AUSTRALIAN FAMILIES

The child support formula is not based directly on the costs of children, rather it is intended to ensure that parents share in the costs of supporting their children according to their capacity. Comparison with formula outcomes can however allow assessment of whether child support is sufficient to meet the costs of children or alternatively become excessive, so as to partially contribute to spousal maintenance.

The Government also assists families with the costs of children through the payment of FTB, although it is expected that separated parents take the primary responsibility for the support of their children, based on their capacity to do so.

In 1988, at the time of the development of the child support formula, limited research on Australian costs of children was available. The Child Support Consultative Group (CSCG) indicated that it relied heavily on overseas research, particularly from the United States, of parental expenditures on children. It also used data provided by researcher, Peter Whiteford and preliminary results from the Social Welfare Research Centre. However, the CSCG did not explain in detail how it used this overseas research nor how it translated this research into the Australian taxation and social security context.

After a review of the Child Support Scheme in 1994, the Joint Select Committee (JSC) recommended the then Department of Social Security (DSS) undertake new costs of children research. The Department commissioned the Social Policy Research Centre (SPRC) to undertake costs of children research as part of a broader 'budget standards' project. Subsequently, the National Centre for Social and Economic Modelling (NATSEM) was also chosen to supplement the SPRC research by using a different methodology.

The Budget Standards estimates produced by SPRC and later updated by FaCS essentially estimate what parents *need* to spend to provide a particular standard of living for their children. The NATSEM research estimates the *actual* average spending on children by Australian families, using Australian Bureau of Statistics household expenditure data.

At the time of its release the Department considered the research to be comprehensive, up-to-date and a significant improvement on costs of children estimates available for formula consideration in past years. It was also considered that despite being based on different methodologies, and having reported varying costs, that the new SPRC and NATSEM estimates were broadly within the 'ballpark' of each other for low to medium income families. Only NATSEM provided average expenditure on children for high-income families.

7.1. NATSEM – Costs of children research

The NATSEM research (Percival, Harding and McDonald 1999) was based on the 1993-94 Australian Bureau of Statistics Household Expenditure Survey (HES). The report provides national estimates of what couples at particular income points spend on average on their children of varying ages. The research is based on households with gross income ranging from around \$20 000 pa to \$150 000 pa.

In 2002 NATSEM, in partnership with AMP, published updated data on the costs of children in Australia based on the 1998-99 HES updated to 2002 values (AMP NATSEM 2002). Unlike NATSEM's previous research, the updated estimates were for three gross salary points only, which were \$29 484 pa (which NATSEM defined as low-income), \$62 140 pa (middle income), and \$126 152 pa (high-income).

7.1.1. Methodology

For its research NATSEM used a modified methodology developed by Espenshade (1984) to estimate the costs of parental expenditures on children in the United States. Espenshade's methodology "estimates the cost of a child as the difference in average expenditures between households where only a couple is present, and households where a couple and one or more children are present, given that the households enjoy an equivalent standard of living" (Percival, Harding and McDonald 1999 p3)².

NATSEM defined expenditure as the total household expenditure as recorded by the HES less repayment of mortgage principal for the family home, other capital housing

² The measure of the equivalent standard of living is based on the proportion of total expenditure spent on a basket of goods that included: food at home, fuel and power, household non-durables for use inside the home (e.g. cleaning products), postal, telephone and personal care products and services.

payments such as extensions and renovations and expenditure on superannuation and life insurance. NATSEM excluded these items as it was considered they represented savings rather than consumption³ (Percival, Harding and McDonald 1999).

7.1.2. Findings and limitations of the NATSEM research (2002)

The NATSEM findings are estimates of the average expenditure on children of all couples at particular income points, irrespective of their workforce or housing circumstances. Many parents will spend well above or below the average on their children. Even if parents spend the average amount, it may not be on what the children actually need.

The costs of children as determined by NATSEM were based only on the expenditure of couples with children. It could be expected however, that the expenditure patterns of lone parent families would differ considerably to those of intact families. That is, that the total costs of children could be greater for separated families due to the possible need for both the resident and non-resident parents to maintain infrastructure for their child/ren including appropriate number of bedrooms, clothing and toys (Henman & Mitchell 2001).

NATSEM produced expenditure estimates based on age of children and the number of children in a family. When considering the costs of a *single child by age*, NATSEM found that costs of a child increase with the age of the child and with the level of family income. Table 4 demonstrates that for a child aged up to 4 years the costs varied from \$55 per week for low-income families to \$167 per week for high-income families. For a child aged 5-9 years the expenditure ranged from \$98-255 per week, for 10-14 years the expenditure increased to between \$130-315 per week and for 15-17 years they increased to \$213-458 per week.

Table 4: Estimated average costs of a single child, by age of child and family income, March 2002 (AMP NATSEM 2002)

Level of income	Average income	0 to 4	5 to 9	10 to 14	15 to 17	18 to 24
	\$pw	\$pw	\$pw	\$pw	\$pw	\$pw
Low income	567	55	98	130	213	215
Middle income	1195	95	156	199	305	309
High income	2426	167	255	315	458	466

NATSEM also researched the costs of children based on *number of children* in a family. This required the averaging of expenditure over the life of a child and the

³ The inclusion of these items, in particular repayment of mortgage principle, would most likely mean an increase in the costs of older children. That is, older families, with older children are more likely to be paying the principal of their mortgage.

consideration of the costs of one or two additional children in a family⁴. Low-income families with one child spent on average \$111 a week on a child, with high-income families spending \$281 a week. With two children the estimated costs increase to \$196 per week for low-income families to \$467 for high-income and for three children they were \$266 for low-income families and \$606 for high-income families.

In the research there was evidence of 'economies of scale' associated with more than one child as additional children can perhaps wear the clothes and play with toys of older children. The research showed that the cost of a single child is on average between 12 and 20 per cent of family expenditure, for two children 19 to 35 per cent and for three children 25 to 47 per cent.

7.1.3. NATSEM research and the child support formula

Calculation of the costs of children is a complex task and comparison with the child support formula is not precise. For example, the NATSEM research provides estimates of the average expenditure of all couples based on particular income points and age of children, whereas the child support formula is a flat percentage based on the number of children in a family, irrespective of the income of the parent or the age of the child. Comparison does however, provide a useful benchmark against which to assess the outcomes of the child support formula.

When comparing the child support formula with the NATSEM estimates of expenditure on a single child by *age of a child*, the research suggests that for low-income families (\$29 500) payers paying a *maximum*⁵ amount of child support could pay the total estimated expenditure for a child aged 0 - 4 years, and between 28 and 60 per cent of the costs of a child aged between 5 - 17 years.

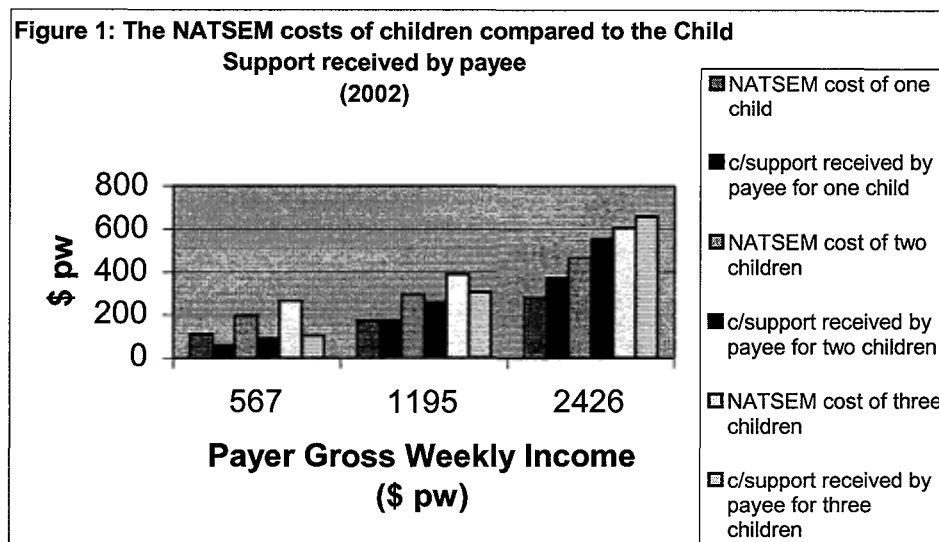
Middle-income payers (\$62 000) could pay in excess of the total estimated expenditure on children 0-9 years and between 56 and 86 per cent of the estimated expenditure on a child aged 10 - 17 years.

Although the formula is currently capped at \$119 470, high-income payers (NATSEM uses \$126 000) paying the *maximum* child support liability could pay in excess of the total estimated expenditure on a child until 17 years of age.

⁴ NATSEM highlighted that when the costs of children were averaged across all the age ranges that this is not effectively an estimate of the average costs of children, as it assumes that family incomes remain consistent across a child's different ages, which is not usually the case.

⁵ The 'maximum liability' assumes that the payee is earning under the disregarded income amount of \$36 213, that there is no change to the child support formula as a result of shared care of the child, and the payer has no additional dependents.

Figure 1 shows comparison between the NATSEM expenditure on children, by number of children and the child support formula⁶.



Based on the comparison in Figure 1, at a low income (\$29 484 or \$567 pw) the NATSEM expenditure estimates suggest that payers paying *maximum* child support for one child could pay approximately half the average amount spent by intact families (\$59 or 54 per cent), and a lesser proportion for two (\$89 or 45 per cent), and three children (\$106 or 40 per cent). Around 70 per cent of parents pay child support of \$59 per week or less.

In the middle-income bracket (\$62 140 or \$1195 pw) the estimates suggest that payers paying the maximum amount of child support for one child could pay approximately the total amount spent by intact families on one child (\$172 or 100 per cent) and close to the total average expenditure of families with two children (\$259 or 88 per cent) and three children (\$307 or 79 per cent). Only 5.7 per cent of parents paying child support have a child support income of \$60 000 or more.

At a high income (\$126 152 or \$2426 pw) a payer could pay in excess of the total estimated expenditure by intact families on one child (\$371 or 132 per cent), two children (\$556 or 119 per cent) and three children (\$659 or 109 per cent). Around 5300 parents paying child support have a child support income of \$110 000 or more.

Figure 1 also demonstrates that the payer liability reduces as a proportion of the costs of raising children as the number of children in a family increases. This may suggest that the child support formula assumes greater economies of scale than indicated by NATSEM's estimates of expenditure on children.

⁶ Payer liability is calculated based on the number of children in a family and 3 gross weekly incomes. The calculations also assume that the payee is earning under the disregarded income amount of \$36 213, that there is no change to the child support formula as a result of shared care of the child, and the payer has no additional dependents.

The child support liabilities calculated in Figure 1 illustrate the *maximum* amount of child support that a payer may incur for families with one, two and three children. There are however, other factors that could reduce the payer liability, such as increased payee income, shared care arrangements of children, or having a child in another family.

These amounts need to be looked at in the context of data on incomes of child support payers and payees discussed in Section 2.1.

7.2. SPRC – The costs of children budget standards estimates

The Social Policy Research Centre (SPRC) reported on costs of children in *Development of Indicative Budget Standards for Australia* (Saunders et al 1998), and the original research was further refined as part of a critical examination conducted by the then Department of Social Security (DSS), and then FaCS, in *Updating Australian budget standards costs of children estimates* (Henman 2001).

A budget standard is the cost of the goods and services, which researchers judge a particular household needs, to achieve a specified standard of living. Costs of children are estimated by comparing the budget for a family with children of the required characteristics to another family without children but with the same other characteristics. The original SPRC research was for 46 household types with varied number of children, ages and gender in a region of Sydney. The Department later extended this to include all state and territory capitals.

SPRC was asked to prepare budget standards for two living standards: a ‘modest but adequate’ standard and a ‘low costs’ standard. The modest but adequate standard of living can be compared to a middle-income lifestyle involving full participation in goods, services and culture of society. In making this comparison, we note that ‘modest but adequate’ may be intended to relate to a family income somewhat less than \$62 140, but we still regard the comparison as being informative. The low cost standard involves a more frugal lifestyle with adjustments from the ‘modest but adequate budget’ including consumption of goods of a lesser but adequate quality.

SPRC used the extensive modelling of the budget standards methodology to develop budgets for a variety of households including lone parents and households with or without private income. The costs of a child therefore are dependent on the individual circumstances of a family including income and the presence of other siblings, which determines expenditure such as the need for separate bedrooms.

7.2.1. Findings and limitations of the budget standards research

In December 1998, the updated budget standards research estimated that the costs of one child ranged from \$75 to \$136 per week for the low cost living standard, and from \$98 to \$191 per week at the modest but adequate living standards. The budget standards research supported the NATSEM findings about the costs of children increasing as children age with the exception of pre-school age children when both parents are working full-time and accessing childcare.

One limitation of the budget standards research is that the development of budget standards necessarily involves a high degree of normative judgment. Individuals who examined the SPRC research would inevitably have different choices regarding the quality or quantity of some of the goods or services. SPRC suggest that in the total context of the budget standards framework that differences of choice will generally have only a small impact on the total budget standard.

The Department considered the budget standards research likely to represent the upper level of what households would need to spend on either the low cost or the modest but adequate standard of living.

7.2.2. Budget standards research and the child support formula

Due to the flat percentages used by the child support formula, direct comparison with the SPRC research is difficult. SPRC's costs are not based on specific incomes but rather determine what parents would need to spend to achieve a particular standard of living. The research also does not provide specific estimates of the cost of children for a 'high' standard of living.

To enable comparison with the NATSEM research, the following updated budget standards costs of children figures are based on weighted capital city average costs of children estimates for couples with modest but adequate and low cost budgets with one child in the private rental market and with incomes of \$29 484 pa for the low cost budgets and \$62 140 for the modest but adequate.

In the modest but adequate budgets for families with one child and both parents in the workforce the costs range from \$150 to \$183 per week. The maximum child support liability would be \$172 per week, which would range from 94 to 115 per cent of the total costs of a child. When the budget standard is altered to include only one parent in the workforce the costs drop to a range of \$101 to \$167 per week, but the child support contribution remains the same with the contribution increasing to 103 to 171 per cent of the total costs of a child.

In the lower cost budget for a couple with one child where only one parent is in the workforce the costs of children range from \$87 per week to \$129 per week. The maximum child support liability would be \$59 dollars per week, which ranges from 46 to 68 per cent of the total costs of children.

Like the NATSEM findings, the budget standards research suggests that the percentage contribution of the payer in relation to the costs of children decreases as the number of children increases, as does the child support liability.

7.3. Comparison of NATSEM and Budget Standards costs of children results

The two different approaches used by NATSEM and SPRC did result in different estimates. Costs from an expenditure approach (used by NATSEM) tend to be lower, on average, than estimates coming from a budget standards approach. One explanation for the variance is that what is ultimately spent on children is constrained to an extent by the limitations of a family budget and the number of children, rather than what a child may actually *need*, especially on low incomes.

7.4. Summary of findings

The research undertaken by both NATSEM and SPRC is helpful in informing judgments around child support liabilities, but needs to be understood in the context of the limitations of the research:

- NATSEM estimates average actual expenditure on children by couple families at different income levels, which is only as good as the quality of the ABS sample survey information, and noting that these estimates are only derived for couples and not separated families;
- SPRC estimates are drawn from highly subjective assessments of the expenditure required to deliver a particular standard of living;
- Both NATSEM and SPRC estimates do not take account of the indirect costs of children, especially for those exercising substantial care of children.

The research suggests that families with higher incomes spend more on children, but that costs fall as a proportion of family income as gross income increases. We would note in this context that these higher income families have a high average income tax liability.

The research also shows that costs of children generally increase with the age of the child. By contrast, the child support formula is constructed with an eye to administrative simplicity and understanding by families, with no adjustment for the changing age of children.

Any comparison of the research findings on the costs of children to the child support formula should properly take account of the dynamic nature of these issues:

- that costs of children increase in dollar value but fall as a proportion of gross income as family income increases;
- that the costs of children generally increase as children get older; and
- that family incomes generally increase over time (as children get older, but not necessarily in a linear relationship) as a result of increases in real wages, promotion, etc.

On balance, our assessment is that the child support formulas are broadly still appropriate, taking full count of these research findings. The one exception to this is that the research suggests that the maximum payer income used to calculate child support (the 'cap') can result in non-resident parents paying more than the measured costs of children in high-income families. The Government put forward a proposal to

reduce the 'cap' as part of a package of measures reforming the Child Support Scheme. However, the proposal was rejected by the Senate in June 2001.

7.5. Direct and indirect costs of children

Both the NATSEM and SPRC research report only on the *direct* expenditure on, or cost of children. However, in the development of the child support formula the CSCG stated that the percentages reflected both the direct and indirect costs of children. These costs included the costs of raising a child where parents do not live together, costs of children to resident parents, the loss of workplace participation and contact costs incurred by non-resident parents (Commonwealth of Australia 1998).

In developing the formula the CSCG did not outline the amount they allocated to each of these items, and quantifying them is difficult. It may also be important to consider whether the formula should continue to consider these factors or whether they are more appropriately accounted for by other means.

In their evaluation of the child support scheme, the Child Support Evaluation Advisory Group attempted to quantify the indirect costs borne by the custodial parent (often the mother), but made no conclusion as to the percentage that this may represent within the child support formula. They concluded that in 1986, a woman may forgo over \$300 000 in her lifetime from having one child and around an additional \$50 000 for the second and \$35 000 for a third (Commonwealth of Australia 1991).

Recent research suggests that women are more likely to return to work when their children reach preschool age than they were in 1986. In 1997 therefore, their lifetime foregone earnings (after tax) from child rearing was around \$160 000 for a first child, and approximately \$12 000-\$15 000 for each additional child (Chapman et al 2001).

The degree to which the higher disregarded income of payees (\$36 213) compared to payers (\$12 315 with no dependent children) could be considered as compensating for both the higher direct and indirect costs incurred by the resident parent needs to be considered.

The other significant indirect cost considered by the CSCG was the cost of contact for non-resident parents. Further research has been undertaken in relation to these costs as an extension of the budget standards research. The research suggests that contact with one child for 20 per cent of the year represents about 40 per cent of the costs of that same child in an intact couple household with a medium-income and more than half of the costs of that child in a household with low-income (Henman and Mitchell 2001).

Based on the current administrative formula payers only get a reduction in their child support when the level of contact is at least 30 per cent of the nights in a year. A departure from the formula *may* be allowed when contact costs exceed 5 per cent of a payers total child support income.

8. Changes to child support assessments

The child support formula applies for the vast majority of parents who are eligible for an administrative assessment. 93 per cent of parents have a straight forward formula assessment (including the 6 per cent of parents who estimate their current income).

Parents are able to negotiate their child support through an agreement. 4.4 per cent of parents have an agreement which is registered with the Child Support Agency.

At any one point in time, less than 3 per cent of parents have their assessment changed because they have special circumstances. Currently, 2.4 per cent of parents have their special circumstances taken into account through a formula assessment that has been varied through the CSA administrative change of assessment process. Less than 0.3 per cent of parents have the formula assessment varied by the court; this includes parents where the court made a decision prior to 1992 because CSA was not able to vary the assessment prior to that date.

Table 5 below shows the number of cases.

Table 5: Number of CSA cases

Details as at August 2003	Number	Percentage
Formula assessment with no variations	580 904	87.0%
Formula assessment where parent has estimated their income	39 076	5.9%
Formula assessment with administrative change of assessment	16 271	2.4%
Formula assessment with court change of assessment	1 963	0.3%
Parents have an agreement registered with CSA that specifies the amount payable	29 274	4.4%

Source: CSA unpublished data

Child support assessments are updated approximately every year to take into account changes in taxable incomes. They are also updated when parents notify CSA of changes in their circumstances, such as the children changing care or the parents income reducing. These are done administratively and can be triggered by a phone call from parents.

The assessment can also be changed to meet the parent's special circumstances. In these circumstances, the change is for a specified period of time. It then reverts back to the formula assessment.

In 2002-2003, parents made 35 000 applications to change their formula assessments. Because parents can include more than one reason in their application, this covered 54 110 reasons. A change was made for 56 per cent of those reasons. This includes parents who have made more than one application in the year.

Attachment B shows:

- the total number of reasons that parents applied under and the number of reasons for which a change was made;
- the same information for applications made by payer parents;
- the same information for applications made by payee parents.

Members of the Inquiry had questions about a number of issues in relation to the process to change the assessment. They were:

1. Number of applications and rates of success (refer Attachment B);
2. How legal costs can be taken into account;
3. Whether the income of a new partner is taken into account;
4. Parents costs to re-establish themselves following separation.

8.1. Changing a child support assessment

When the child support scheme was introduced, and parents wanted to have their special circumstances taken into account, they needed to make an application to the court to depart from the formula assessment. In 1992, CSA was given the power to make such decisions. In making these decisions, CSA is bound by the same legislation and precedents as was, and is, the court. The process involves both parents having the opportunity to provide information and the legislation requires the information provided by each parent to be given to the other parent. The decision makers are usually qualified legal officers with a background in family law and/or mediation who are contracted to CSA.

Where a parent is not satisfied with the outcome they can object to the decision. If they are still dissatisfied they can apply to the court for a decision.

CSA has comprehensive guidelines for officers to use when making these decisions. These guidelines are available to clients on the CSA website at <http://www.csa.gov.au/guide/index.htm>.

8.1.1. Reasons for changing an assessment

The legislation provides for 10 reasons under which parents can make an application. They are:

A. Reasons about the children

1. It costs the parent more than 5 per cent of their child support income amount to have contact with the children.
2. It costs the parent extra to cover the children's special needs.
3. It costs the parent extra to care for, educate or train the children in the way they and the other parent had initially intended.

4. The child support assessment does not take into account the income, earning capacity, property or financial resources of the children.
5. The children, the payee or someone else has received, or will receive, money, goods or property from the payer for the benefit of the children.
6. If a payee with sole care of the children incurs costs of more than 5 per cent of their child support income amount for childcare for children 12 years and under.

B. Reasons about the parents

7. The parent has necessary expenses in supporting themselves that affect their ability to support the children.
8. The child support assessment does not take into account the income, earning capacity, property or financial resources of one or both parents.

C. Reasons about a duty to maintain another person or other children

9. The parent has a legal duty to maintain another person or other children not included in the child support assessment; or the parent has such a legal duty and it costs:
 - more than 5 per cent of the child support income to have contact with that person or those children; or
 - extra to cover the special needs of that person or those children; or
 - extra to cover the necessary expenses of that person or those children.

D. Reasons about additional income for resident children

10. The parent has earned additional income for resident children (that is children who normally live with the parent and are not children of the assessment).

8.2. Taking legal costs into account

Legal costs of enabling contact with the children can be taken into account.

A parent can apply for a reduction in their child support where *“It costs the parent more than 5 per cent of their child support income amount to have contact with the children”*. In 2002-2003 there were 1870 changes made to child support for this reason.

The instructions for CSA officers making these decisions are extensive, an extract that specifically relates to legal costs is:

“Legal costs incurred in obtaining contact

Legal costs incurred by either parent to establish, modify, or enforce contact arrangements can be significant. However, to be considered as a Reason to change an assessment these costs have to be necessarily incurred in enabling contact to occur.

Legal costs which can be taken into account include, but are not limited to, the cost of court proceedings to enable contact. If the parents are in dispute over contact, legal costs incurred by both parents in that dispute may be considered as costs of enabling contact to take place. The existence of the dispute is sufficient, without making a judgement as to the reasonableness or otherwise of

the dispute, although this may be a factor considered under 'just and equitable'."

Therefore, if a parent incurs legal costs to enable access with the child(ren) to occur, this will be considered as part of the total costs of contact and can result in a reduction of child support payable.

The application form does not mention legal costs, it states:

"Contact costs include transport, accommodation and telephone costs to have contact with the children. You cannot claim costs of food, clothing or entertainment."

When CSA next updates the application form, legal costs to enable or enforce contact should be included as examples. This will assist parents to understand that these costs can be considered.

8.3. Whether the income of a new partner is taken into account

The child support formula uses the taxable incomes of both parents, and only the parents. It does not include the income of a new partner of either parent. This is based on the principle that parents are responsible for the financial support of their natural and adopted children. This principle applies equally to the process to change the assessment, ie only the parents incomes are used to determine the amount of child support.

However, a parent can apply to reduce the child support for their children on the basis that they have a legal duty to support another person, and that duty makes the child support formula unfair. In 2002-2003 a change was made for this reason in 2121 child support assessments. The most common circumstances are where a child support payer advises they have a legal duty to maintain their current spouse and this makes the child support unaffordable.

To determine whether such a reduction is appropriate, it is necessary for CSA to have information about any other resources that are available to support the spouse. For example if the spouse is working then that income is available to support the spouse and must be taken into account to determine whether the child support should be reduced.

This is sometimes confused by child support payers who think the income of their new spouse is used to work out or to increase their child support. This is not the case.

There are two other circumstances where the income of a new spouse would be looked at as part of the process to change the assessment.

A payer may be seeking to reduce their child support for other reasons and may provide details of their total household expenditure to demonstrate that they cannot afford the amount of child support that is payable. CSA needs to determine whether anybody else, for example a current spouse, is also contributing towards that expenditure. If that is the case, then the expenditure would need to be discounted to

take into account the contribution made by the spouse. Again, this is sometimes interpreted as the new spouse's income being used for child support payments.

Finally, where a parent is self employed, or uses corporate entities to channel income from business, CSA may need to look behind these arrangements to determine the income on which child support should be calculated. This can often involve arrangements with a spouse or other family member. These circumstances can often be very complex.

8.4. Parents' costs to re-establish themselves following separation

Where the parent has necessary expenses in supporting themselves that affect their ability to support their child, the assessment can be varied. In 2002-2003 an assessment was changed for this reason in 3901 cases. A parents expenditure to re-establish themselves following separation falls into this category if those expenses affect their ability to support themselves.

An extract from the instructions for officers making decisions states:

“The costs of setting up a household or servicing a debt immediately after separation may also be a necessary commitment. A parent leaving a former marital home will often incur costs in establishing a new residence or obtaining new accommodation. There may also be a variety of debts and obligations incurred during the former relationship which must be paid in spite of separation, and which continue to be paid by a parent.

These costs are considered necessary subject to:

- *proof of the expense and that it is being paid;*
- *the necessity of the expense;*
- *the expense being reasonable (ie no more than the minimum payment required if a periodic payment);*
- *the possibility of rearranging the commitment by refinancing, reducing payment, sale of the asset etc.;*
- *the period over which the expense will be incurred.”*

Again, while these instructions are clear to CSA staff and are available to parents on the CSA web site, they are not specifically referred to in the application form for parents. This should be remedied at the next review of the application form. Once the form is amended, it may then be possible to fast track this type of application to enable a decision to be made as soon as possible.

9. ATTACHMENTS

A. Summary of scenarios around repartnering

B. Change of assessment

A. Summary of scenarios around repartnering

Scenarios A (i): Pre-separation

Jack Jill
 Income: both unemployed
 Children: 2 (aged 10 and 14)

Government Assistance: \$25 590 (\$7 716 FTB, \$17 874 ISP)
Total Disposable Income: \$25 590

Dick Dora
 Income: \$30K \$nil
 Children: 2 (aged 10 and 14)

Government Assistance: \$9 753 (FTB)
Total Disposable Income: \$34 581

Harry Sally
 Income: \$60K \$20K
 Children: 2 (aged 10 and 14)

Government Assistance: \$2 190 (FTB)
Total Disposable Income: \$64 013

Woody Mia
 Income: \$100K \$60K
 Children: 2 (aged 10 and 14)

Government Assistance: \$0.00
Total Disposable Income: \$108 661

Scenarios A (ii): Post-separation and repartnering : Payer has repartnered with a payee, but both their former partners have not repartnered.

Note: Each scenario in this part of the attachment should be treated individually.

Dick has separated from Dora. Dora has not repartnered and earns no income. Dick has repartnered with Jill, who is a child support client herself. Jill's former partner, Jack has not repartnered and receives an income support payment.

Dick	Jill
Income: \$30 000	\$0.00
Care for Jill's children (aged 10 and 14)	

Including Payee's household income in the Child Support Assessment

Under Current Arrangements

Government Assistance:	\$9 753 (FTB)
Child Support paid to Dora:	\$4775
Child Support received from Jack:	\$260
Total Disposable Income:	\$30 066

Government Assistance:	\$9 753 (FTB)
Child Support paid to Dora:	\$4775
Child Support received from Jack:	\$260
Total Disposable Income:	\$30 066

Jack has separated from Jill. Jill has not repartnered and earns no income. Jack has repartnered with Sally, who is a child support client herself. Sally's former partner, Harry, has not repartnered and earns \$60 000.

Jack	Sally
Income: \$5 423 (NSA)	\$20 000
Care for Sally's children (aged 10 and 14)	

Including Payer's household income in the Child Support Assessment

Under Current Arrangements

Government Assistance:	\$8 570 (\$5 423 NSA, \$3147 FTB)
Child Support paid to Jill:	\$260
Child Support received from Harry:	\$12 875
Total Disposable Income:	\$39 040

Government Assistance:	\$8 570 (\$5 423 NSA, \$3147 FTB)
Child Support paid to Jill:	\$3 539
Child Support received from Harry:	\$12 875
Total Disposable Income:	\$35 761

Scenarios A (ii): Post-separation and repartnering: Payer has repartnered with a payee, but both their former partners have not repartnered.

Note: Each scenario in this part of the attachment should be treated individually.

Woody has separated from Mia. Mia has not repartnered and earns \$60 000. Woody has repartnered with Dora, who is a child support client herself. Dora's former partner, Dick has not repartnered and earns \$30 000.

Woody	Dora
Income: \$100 000	\$0.00
Care for Dora's children (aged 10 and 14)	

Under Current Arrangements

Government Assistance:	\$4 227 (FTB)
Child Support paid to Mia:	\$20 464
Child Support received from Dick:	\$4 775
Total Disposable Income:	\$53 231

Including Payee's household income in the Child Support Assessment

Government Assistance:	\$4 227 (FTB)
Child Support paid to Mia:	\$20 464
Child Support received from Dick:	\$1 194
Total Disposable Income:	\$49 650

Harry has separated from Sally. Sally has not repartnered and earns \$20 000. Harry has repartnered with Mia, who is a child support client herself. Mia's former partner, Woody has not repartnered and earns \$100 000.

Harry	Mia
Income: \$60K	\$60K
Care for Mia's children (aged 10 and 14)	

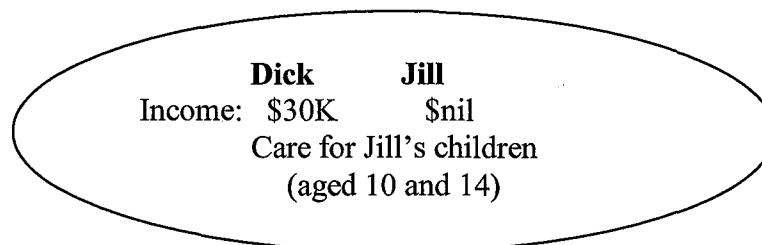
Under Current Arrangements

Government Assistance:	\$0.00
Child Support paid to Sally:	\$12 875
Child Support received from Woody:	\$20 464
Total Disposable Income:	\$95 525

Including Payer's household income in the Child Support Assessment

Government Assistance:	\$471 (FTB)
Child Support paid to Sally:	\$28 932
Child Support received from Woody:	\$12 364
Total Disposable Income:	\$71 839

Scenarios A (iii): Post-separation and repartnering: Payer has repartnered with a payee, and both their former partners have repartnered.

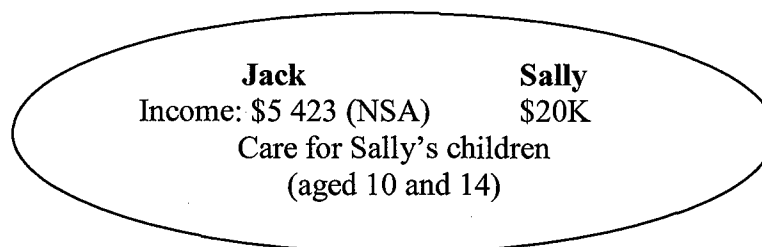


Under Current Arrangements

Government Assistance:	\$9 753 (FTB)
Child Support paid to Dora:	\$4 775
Child Support received from Jack:	\$260
Total Disposable Income:	\$30 066

Including New Partners' Income in the Child Support Assessment

Government Assistance:	\$ 8 735 (FTB)
Child Support paid to Dora:	\$1 194
Child Support received from Jack:	\$3 539
Total Disposable Income:	\$35 908



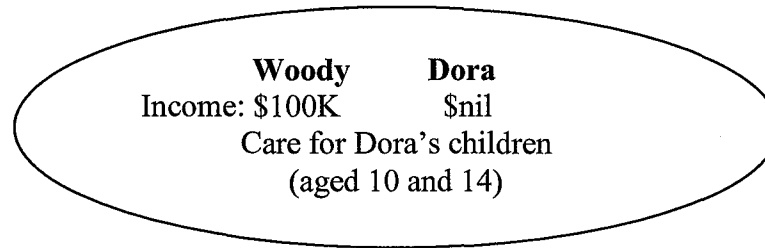
Under Current Arrangements

Government Assistance:	\$8 570 (\$3 147 FTB, \$5 423 NSA)
Child Support paid to Jill:	\$260
Child Support received from Harry:	\$12 875
Total Disposable Income:	\$39 040

Including New Partners' Income in the Child Support Assessment

Government Assistance:	\$ 8 570 (\$3 147 FTB, \$5 423 NSA)
Child Support paid to Jill:	\$3 539
Child Support received from Harry:	\$28 932
Total Disposable Income:	\$51 818

Scenarios A (iii): Post-separation and repartnering: Payer has repartnered with a payee, and both their former partners have repartnered.

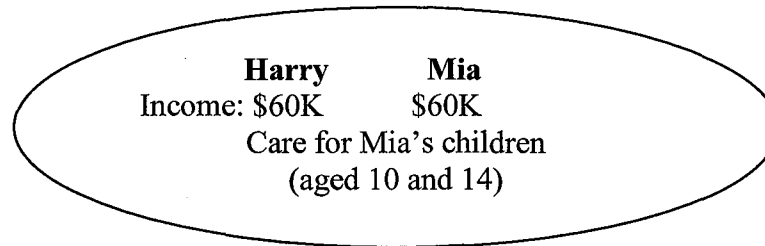


Under Current Arrangements

Government Assistance:	\$4 227 (FTB)
Child Support paid to Mia:	\$20 464
Child Support received from Dick:	\$4 775
Total Disposable Income:	\$53 231

Including New Partners' Income in the Child Support Assessment

Government Assistance:	\$ 3 537 (FTB)
Child Support paid to Mia:	\$12 364
Child Support received from Dick:	\$1 194
Total Disposable Income:	\$57 060



Under Current Arrangements

Government Assistance:	\$0.00
Child Support paid to Sally:	\$12 875
Child Support received from Woody:	\$20 464
Total Disposable Income:	\$95 525

Including New Partners' Income in the Child Support Assessment

Government Assistance:	\$471 (FTB)
Child Support paid to Sally:	\$28 932
Child Support received from Woody:	\$12 364
Total Disposable Income:	\$71 839

B. Change of Assessment

**Child Support Agency
Change of Assessment
Total reasons in applications for y/e June 2003**

Reason	Total Reasons		
	Finalised	Change Made	% Rate
Reason 1 - it costs more than 5% of income to have contact with the child(ren)	4124	1870	45.34%
Reason 2 - it costs the applicant extra to cover the child(rens) needs	2761	1766	63.96%
Reason 3 - It costs the applicant extra to care for, educate or train the child in a way the parents had initially intended	4990	3131	62.75%
Reason 4 - Assessment does not take into account income, earning capacity, property or financial resources of the child	1532	762	49.74%
Reason 5 - The child(ren), payee, or someone else has received money, goods or property from the payer for the benefit of the children	2339	1108	47.37%
Reason 6 - The sole carer of a child under 12 years has child care costs greater than 5% of their income	1451	908	62.58%
Reason 7 - Necessary expenses in supporting themselves that affect their ability to support the child	8123	3901	48.02%
Reason 8 - Assessment does not take into account the income, earning capacity, property and financial resources of one or both parents	23668	14372	60.72%
Reason 9 - Legal duty to maintain another person and it costs extra to meet the special expenses or to have contact	4116	2121	51.53%
Reason 10 - Earned additional income for the benefit of resident children	1006	489	48.61%
	54110	30428	56.23%

**Child Support Agency
Change of Assessment
Payer reasons in applications for y/e June 2003**

Reason	Payer Reasons		
	Finalised	Change Made	% Rate
Reason 1 - it costs more than 5% of income to have contact with the child(ren)	3543	1555	43.89%
Reason 2 - it costs the applicant extra to cover the child(rens) needs	572	275	48.08%
Reason 3 - It costs the applicant extra to care for , educate or train the child in a way the parents had initially intended	1169	547	46.79%
Reason 4 - Assessment does not take into account income, earning capacity, property or financial resources of the child	1282	629	49.06%
Reason 5 - The child(ren), payee, or someone else has received money, goods or property from the payer for the benefit of the children	2101	986	46.93%
Reason 6 - The sole carer of a child under 12 years has child care costs greater than 5% of their income	277	103	37.18%
Reason 7 - Necessary expenses in supporting themselves that affect their ability to support the child	6630	3016	45.49%
Reason 8 - Assessment does not take into account the income, earning capacity, property and financial resources of one or both parents	10774	5553	51.54%
Reason 9 - Legal duty to maintain another person and it costs extra to meet the special expenses or to have contact	3360	1693	50.39%
Reason 10 - Earned additional income for the benefit of resident children	843	409	48.52%
	30551	14766	48.33%

**Child Support Agency
Change of Assessment
Payee reasons in applications for y/e June 2003**

Reason	Payee Reasons		
	Finalised	Change Made	% Rate
Reason 1 - it costs more than 5% of income to have contact with the child(ren)	581	315	54.22%
Reason 2 - it costs the applicant extra to cover the child(rens) needs	2189	1491	68.11%
Reason 3 - It costs the applicant extra to care for , educate or train the child in a way the parents had initially intended	3821	2584	67.63%
Reason 4 - Assessment does not take into account income, earning capacity, property or financial resources of the child	250	133	53.20%
Reason 5 - The child(ren), payee, or someone else has received money, goods or property from the payer for the benefit of the children	238	122	51.26%
Reason 6 - The sole carer of a child under 12 years has child care costs greater than 5% of their income	1174	805	68.57%
Reason 7 - Necessary expenses in supporting themselves that affect their ability to support the child	1493	885	59.28%
Reason 8 - Assessment does not take into account the income, earning capacity, property and financial resources of one or both parents	12894	8819	68.40%
Reason 9 - Legal duty to maintain another person and it costs extra to meet the special expenses or to have contact	756	428	56.61%
Reason 10 - Earned additional income for the benefit of resident children	163	80	49.08%
	23559	15662	66.48%

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