



House of Representatives Standing Committee  
on Family and Community Affairs

Submission No: 548

Date Received: 11-8-03

Secretary: .....

**Fairness In Child Support,  
(F.I.C.S.),**  
PO Box 80,  
CONISTON. NSW. 2500.  
7 August 2003

The Committee Secretary,  
Standing Committee on Family and Community Affairs  
Department of the House of Representatives  
Parliament House.  
CANBERRA. ACT. 2600

**Attention: Ms Beverley Forbes**

Dear Madam,



**Re. SUBMISSION**

This letter is a submission to the Standing Committee on Family and Community Affairs's inquiry into shared parenting and child support issues.

We like to point out that unfortunately in our society, the current perception is that children do not need the involvement of both parents as they grow up. As a result, we do not become aware of the problems facing children who grow up with only one parent after separation.

In Australia, current legislation and judicial practice is to make one parent the resident provider. This occurs in more than ninety five per cent of contested residency cases. The other parent is then given a maximum contact time with the children of every second weekend. The other parent is usually the father.

As a result, forty (40) per cent of fathers lose total contact with their children within five (5) years of separation.

The actual number of non-resident parents is difficult to estimate. This is because non-resident parents as a group do not depend upon social security payments and other Government services.

Based on UK research into the number of non-resident fathers in that country and applying the same percentages to Australia, there are certainly over 650,000 and there could be as many as 1.65 million non-resident fathers in Australia. ( Reference 1).

As a result, there are at least one (1) million children raised in Australia without both their fathers and their mothers.

### **1. The Problems.**

The absence of both parents in separated families significantly increases the likelihood that children will develop severe social and psychological problems.

Children growing up without both parents:

- are seventy five (75) per cent more likely to need professional assistance for emotional problems.
- are twice as likely to fall behind at school
- are eight (8) times more likely to be in juvenile prisons

Sixty three (63) per cent of youth suicides, seventy (70) per cent of teenage pregnancies and seventy (70) per cent of adolescents suffering from chemical abuse are from families in which both parents are not present when they grow up.

Similarly, a large proportion of adults who suffer from anxiety, depression, difficulties with relationships, low-self esteem and loneliness can trace their problems back to a distant, emotionally detached parent who was not allowed to do a good job in his or her role as a parent (References 5 & 6).

Current legislation and judicial practice is to promote this detachment. As a result, our government and the judiciary are a direct cause of these problems.

## **2. The Solutions**

There are four (4) solutions to these problems.

### **a). Solution 1 is Joint Residency.**

For the purpose of this submission, the following terms mean the same thing

- Joint Residency
- Joint Physical Custody and
- Shared Parenting.

Senator Len Harris has tabled a Private Members' Bill in the Senate. It is called the "*Family Law Amendment (Joint Residency) Bill 2002*". If passed by Parliament, this legislation would provide for what is called a rebuttable presumption of joint residency.

Similar legislation to that proposed by Senator Harris has been tested in the United States.

Research has been done on residency awards in nineteen (19) states of the United States. In five (5) of those states it was found that between 31 and 44 per cent of the residency awards were made for joint physical custody, as the Americans call joint residence. (reference 4).

In Australia, less than five (5) per cent of court orders are made for joint residence.

Divorce rates in the Western World are generally decreasing. This is because less people are getting married.

In the five (5) states of the United States referred to previously, it has been found that this decrease in the rate of divorce has been considerably increased. This is simply because, with the adoption of shared parenting in those states, there is less incentive for parents to be divorced.

### **b). Solution 2 is to repeal the Child Support Legislation and to abolish the Child Support Agency.**

The Child Support Scheme is based on an inflexible formula approach.

The liable parent pays child support on the basis of gross taxable income less a small fixed sum. The payment percentages are 18% for one child, 27% for two children, 32% for three children and so on.

The current system is fundamentally flawed. It is based on forcing parents to pay child support without taking individual circumstances into account. It is not based on assisting parents to come to a decision of their accord.

These percentages reduce when contact by the non-resident parent with the children is more than 30 per cent. Courts invariably always make orders for the non-resident parent to have less than 30 per cent contact. Children see less of one parent because of a government-inspired formula.

Australia's Child Support Scheme has failed. It is complex, inflexible and inefficient and it needs to be abolished. A copy of an analysis of the Child Support Agency and the Child Support Scheme is attached. This analysis highlights some of the deficiencies in the Scheme.

**c. Solution 3 is to abolish the Family Court and replace it with a Family Tribunal.**

The Family Court is adversarial by nature. This is because of the requirement of the Australian Constitution for any Court to act judicially. That is, under the current family law system, there has to be a winner and a loser.

Mediation is required instead of confrontation. There is a need to replace the Family Court with a Family Tribunal.

A tribunal does not have to have the same Constitutional requirement to act in an adversarial manner.

**d). Solution 4 is to remove the association of possession of children from property settlements and superannuation splitting.**

After divorce, final property settlement payout percentages are determined by which parent has possession of the children

The parent who is the residence provider usually obtains 50 per cent of the assets plus 10 per cent for each child. For example, the residence provider may receive 70 per cent if two (2) children are involved or 80 per cent if three (3) children are involved. This is in addition to child support and spousal maintenance that is provided

Superannuation Splitting laws came into effect in December last year. It can only be assumed that these same percentages will apply to Superannuation splitting.

Property owned and superannuation entitlements obtained prior to the relationship should remain the possession of each individual. They should not become part of the post-relationship settlement. Other property and superannuation acquired after the commencement of the relationship should be based on a 50/50 allocation regardless of the number of children involved.

Possession of children should not be a determining factor in property settlements and superannuation splitting.

### **3. Conclusion.**

There is a series of “needs to be’s”

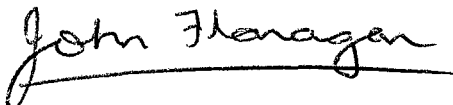
- Joint residency legislation as proposed by Senator Harris needs to be passed by Parliament
- Current child support legislation needs to be repealed and the Child Support Agency abolished.
- The Family Court needs to be abolished and replaced by a Family Tribunal.
- Possession of children needs to be - not a determining factor in property settlements and superannuation splitting.

All four (4) solutions are linked. The four (4) solutions need to be adopted by you, as our legislators, as a package for true reform to work.

Children of separated families need both parents.

Otherwise the present problems experienced by one million Australian children from separated families, will continue to grow.

**Yours faithfully**

A handwritten signature in cursive script that reads "John Flanagan". The signature is written in black ink and is positioned above a solid horizontal line.

**John Flanagan  
Assistant Secretary  
Fairness in Child Support**

**Encl.**

- **Child Support Scheme Facts and Figures** - An Analysis of Child Support Agency and Child Support Scheme

#### **4. References.**

- 1) Bradshaw, Jonathan; Stimson, Carol; Skinner, Christine and Williams Julie (1999). "*Absent Fathers?*". Routledge, London. 1st Edition
  - 2) Child Support Agency "*Child Support Scheme Facts and Figures 2000-2001*" (5th Edition). Attorney-General's Department. The document is also located at the following Internet web page: [www.csa.gov.au/agency/ff01.htm](http://www.csa.gov.au/agency/ff01.htm) (April 2002)
  - 3) Cruikshank, Richard (2002) "*Cost of Child Support*". Research Paper. PIR Research Group, Melbourne. August 2002.
  - 4) Kuhn, Richard and Guidubaldi, John (1997) "*Child Custody and Divorce Rates in the U.S.*" Paper presented to the 11th Annual Conference of the Children's Rights Council. Washington. D.C. October 23-26, 1997.
  - 5) Men's Rights Agency web-site [www.menrights.com.au](http://www.menrights.com.au). (This site provides more detailed references on the problem relating to Fatherlessness.)
  - 6) Robinson, Bruce "*Fathering from the Fast Lane*" (1st edition). Finch Publishing, Sydney, pages 37-38.
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*John Flanagan*

## **Child Support Scheme Facts and Figures.**

### **SYNOPSIS.**

The Child Support Agency (CSA) is grossly misleading the Australian community with the financial statements that are published by that organisation. The financial statements are provided in the CSA publication titled "*Child Support Scheme Facts and Figures*". The latest available edition is the 5th edition for the 2000-2001 Financial Year. (The 6th edition for 2001-2002 Financial Year will be made available by the CSA in mid-late August 2003 and therefore has not been included in this analysis).

The CSA have falsely claimed credit for payments made for child support. At the same time, the CSA has been a national disaster for both the members of the Australian community and for the overall Australian economy.

From the Child Support Agency "*Child Support Scheme Facts and Figures 2000-2001*", there were 236,524 cases, in which the payer has either "zero" liability, "1 to \$259" liability or "\$260" liability. These all effectively mean the same thing - the payer was almost invariably either unemployed or on a very low taxable income. This represents 38.98 per cent of the total number of cases (606,757 cases).

It should be noted that "effectively unemployed" means that the Child Support Payers:-

1. Who had taxable incomes between zero income and the Child Support Agency's "Exempt Income Level" (in 1999 this was \$10,219.00, in 2000 this was \$10,482 and in 2001 this was \$11,271.00). This would be the majority of the cases.
2. Who had second families to support and who had taxable income levels below the "Partnered Rate" as used by the CSA (in 1999 this was \$17,051.00, in 2000 this was \$17,498 and in 2001 this was \$18,813.00). There was also a small additional allowance made in those years for children of second families (e.g. \$1,958 for a child under 13 years old in 1999 or \$37.65 per week.)
3. Who were on low incomes and had their children above 40 per cent of the time. (It is noted that the situation could also arise were both parents may be both on relatively high taxable incomes and also have their children above 40 of the time. However for the purpose of this analysis it is considered that this would occur in a relatively small percentage of cases).

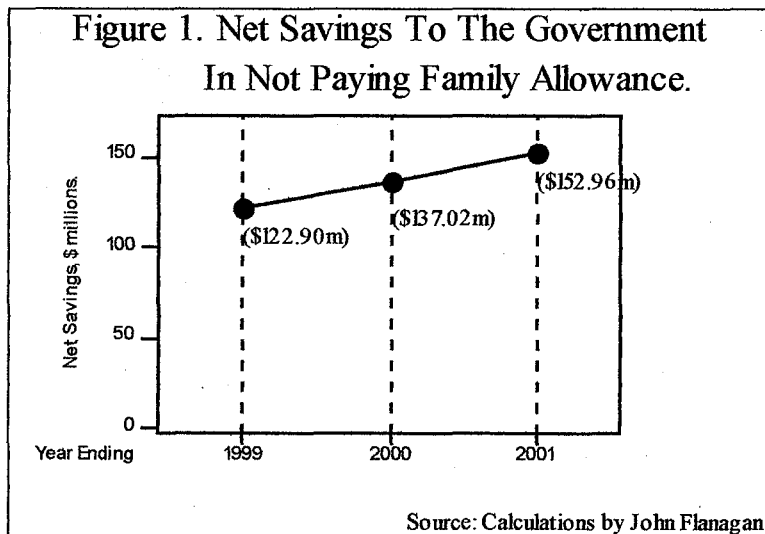
As part of the Department of Family and Community Services "*Annual Report 2000-01*", the Child Support Agency reported that:



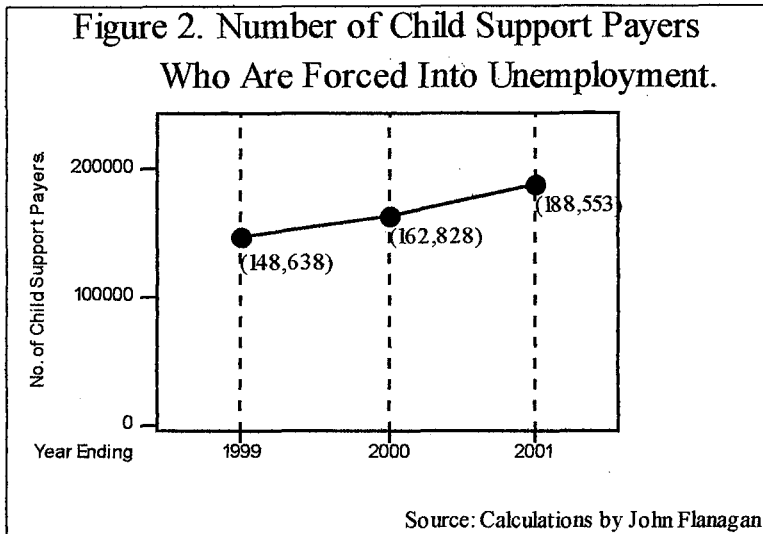
*“The total amount of child support transferred between parents in 2000-01 was \$1.4 billion. This includes child support the Child Support Agency assessed and parents transferred directly, and child support the Child Support Agency assessed and collected. After family payment adjustment, children are more than \$1 billion better off because of child support payments.” (reference 16, page 67).*

This statement is not true. The CSA makes a similar statement every year. An analysis has been done of the details contained in the 3rd, 4th and 5th editions of the CSA publication *“Child Support Scheme Facts and Figures”*. Based on this analysis the CSA did not save the Australian taxpayers anything like \$0.4 billion through family payment adjustment.

At the best, the CSA may have “saved” **\$122.90 million** in the 1998-1999 Financial Year; **\$137.02 million** in the 1999-2000 Financial Year and **\$152.96 million** in the 2000-2001 Financial Year (in those year’s dollars, respectively).

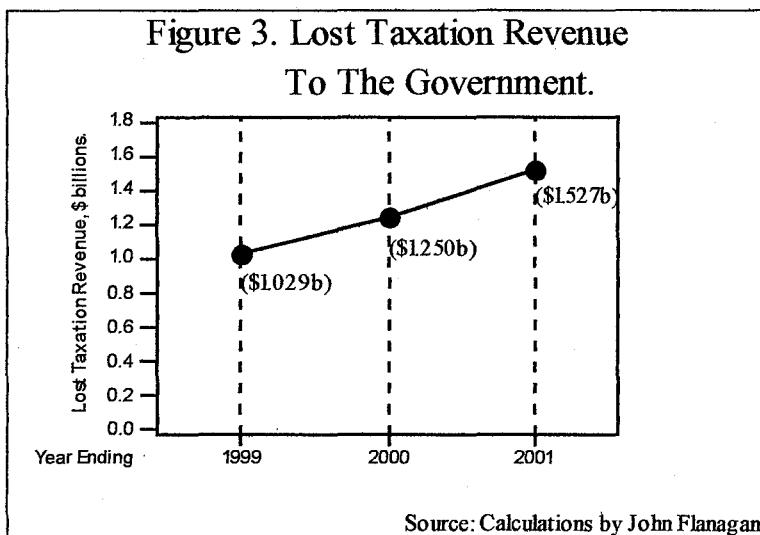


At the same time, the Child Support Scheme forced a large number of potential child support payers either onto welfare or into unemployment. In 1998-1999, this total figure was 148,638. In 1999-2000, this figure increased to 162,828. In 2000-2001, this figure further increased to 188,553. This represents an average annual increase in “lost” potential child support payers of 14.00 per cent over the two (2) years.



As a result, the Child Support Scheme cost the Australian Taxation Office \$1.029 billion in lost revenue in the 1998-1999 financial year. In the 1999-2000 Financial Year, this figure increased to \$1.250 billion in lost revenue. In the 2000-2001, this figure further increased to \$1.527 billion in lost revenue. This represents an average annual increase in lost revenue of 24.20 per cent over the two (2) years.

A better result would have been obtained had the Child Support Agency not existed in the first instance.



The 2000-2001 edition of "Child Support Scheme Facts and Figures" tries to justify the existence of the current Scheme. The CSA make the statement that prior to the implementation of the Child Support Scheme in 1989, there were problems of "non-payment of maintenance", "low levels of maintenance payments" and "reliance on social welfare payments" (reference 14, page 7).

Prior to the implementation of the Child Support Scheme, research has shown that for the most part, residential and non-residential parents did not agree about the actual state of pre-Child Support maintenance payments (reference 17, page 147).

This statement regarding low collection rates and payment rates is a myth. This statement was incorrectly based on an analysis of raw data from an ABS survey. This ABS data was used for a purpose for which it was not originally intended. For example, among other reasons, the data provided details on responses to questions asked of the Payees **only**. The same questions were not asked of the payers. If this had been done, a very different lot of data would have been obtained.

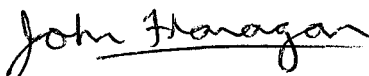
Not one of the five (5) stated aims on page 7 of the "*Child Support Scheme Facts and Figures*" have been achieved. (references 12,13 and 14, page 7).

This is because the Child Support has

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

It should be noted that if the *Child Support (Assessment Act) 1989* is repealed and therefore the Child Support Agency is abolished, then existing legislation can be readily used to fill the gap. For example, child support/maintenance orders can be simply made under *section 66R* of the *Family Law Act 1975*. Child maintenance orders can be made in the same way that contact and residence orders are currently made.

Therefore, the only way to solve the current child support problem and to cure the National unemployment disaster is to repeal the Child Support legislation and therefore abolish the Child Support Agency. Child support/maintenance would then revert to a court/tribunal system under the *Family Law Act 1975*.



**John Flanagan**  
7 August 2003.

## **DETAILED ANALYSIS**

### **A. Basis of the Analysis.**

The following analysis is primarily based on four (4) documents:

- i. The first document is the "*Child Support Scheme Facts and Figures 1998-1999*" (3rd Edition). The document can be accessed at the following Internet web-site: [www.csa.gov.au/agency/CSAfacts.htm](http://www.csa.gov.au/agency/CSAfacts.htm) (reference 12). It is also available in hard copy form.
- ii. The second document is "*Child Support Scheme Facts and Figures 1999-2000*" (4th Edition). The document is not accessible on the Internet. The document is only available in hard copy form from the Child Support Agency (reference 13).
- iii. The third document is the "*Child Support Scheme Facts and Figures 2000-2001*" (5th Edition). The document can be accessed at the following Internet web-site: [www.csa.gov.au/agency/ff01.htm](http://www.csa.gov.au/agency/ff01.htm) (reference 14). The document is also available in hard copy form.
- iv. The fourth document upon which this analysis is based is an article titled "*Lies, Statistics and the CSA*" by Brian Hogan of Cairns. The article is located at the following web-site: [www.members.ozemail.com.au/~divorce/reveng1.htm](http://www.members.ozemail.com.au/~divorce/reveng1.htm) (reference 18).

### **B. Definition of Clawback.**

The Department of Family and Community Services "*Annual Report 2000-01*" provides the following definition of *Clawback*:-

*"Clawback is a measure of the savings in Family Tax Benefit that can be attributed to the operation of the Child Support Scheme. In other words, it measures the payments that Centrelink would have been required to make to resident parents if they had not been in receipt of child support payments from the non-resident parent. The Clawback arising from reductions in Family Tax Benefit outlays was \$380.4 million in 2001."* (reference 16, page 68).

The *Social Security Act 1991* states for a payee to receive certain payments under the Act, the payee is required to take reasonable action to obtain maintenance (or child support).

The requirement to take reasonable action to take reasonable action to obtain maintenance (or child support) is referred to as the "*Reasonable Action Test*". This is the basis for the determination of the amount of *Clawback*.

The Government has changed the “*Reasonable Action Test*” over a number of years. The requirement to take reasonable action is set out in section 1069-K3 of the *Social Security Act 1991*. The changes that have taken place to section 1069-K3 are set as below:

- i. From 20 September 1990 to 31 December 1992, the requirement to take reasonable action applied to recipients of a number of payments.
- ii. Between 1 January 1993 and 19 March 1998, the reasonable action test applied only to recipients of Sole Parent Pension and Family Allowance.
- iii. From 20 March 1998, the requirement to take reasonable action applies only to those who are seeking payment of Family Allowance at more than the minimum rate, including component and supplementary payments the rate of which would be affected by maintenance income.

For completeness, the *Social Security Act 1991* defines the word “maintenance” as “child support”.

### **C. Clawback and Youth Allowance.**

The Centrelink “*Guide to Commonwealth Government Payments*” (20 March 1999 to 30 June 1999) and similarly later Centrelink publications state that:

*“Maintenance income does not affect FaCS payments other than Family Allowance and parental means tested Youth Allowance.”* (reference 9, page 18).

The Department of Family and Community Services does consider child support/maintenance as income for the purpose of the Youth Allowance parental means test.

With regard to parental means tested Youth Allowance, the Department of Family and Community Services “*Annual Report 1998-99*” stated that:

*“Of these [i.e. the dependent Youth Allowance customers], 62,591 (Youth Allowance customers) received a reduced rate due to their parent’s incomes.”* (reference 15, page 52).

However it should be noted that only a percentage of the overall 62,591 Youth Allowance recipients would receive a reduced rate due to their parent’s incomes being affected by child support payments.

In addition, it is also noted that if the payer (as opposed to the payee) has dependent children, then the outgoing child support payments are taken as a deduction in the parental means test for Youth Allowance. This has a balancing effect.

It should be noted that the issue of Youth Allowance has not been referred to by either the Department of Family and Community Services or the CSA, with respect to *Clawback*. Therefore this issue has not been further referred to in this analysis.

**D. CSA's Clawback and the Actual Clawback for the 1998-1999 Financial Year.**

**(i) CSA Caseload (1998-1999).**

From the Summary Sheet of "*Child Support Scheme Facts and Figures 1998-1999*", the CSA caseload was reported as:

- 1997/1998 Financial Year- 494,534 active cases
- 1998/1999 Financial Year- 535,569 active cases.

(reference 12, page 6).

By calculation, the annual percentage increase in active caseload from the 1998-1999 Financial Year to the 1999-2000 Financial Year was 8.30%.

**(ii) CSA Client Numbers (1998-1999).**

The CSA client numbers for the 1998/1999 year were reported as:

- Number of Payers - 507,272
- Number of Payees - 506,692

(reference 12, page 6).

**(iii) Gross Total Savings to Government Outlays (1998-1999).**

In the same Summary Sheet, the CSA reported that the gross total savings to the Government outlays was \$419.20 million. (reference 12, page 6). As stated in the Synopsis, this figure is incorrectly reported. This is because of the following details.

**(iv) Net Savings to Government Outlays (1998-1999).**

According to the CSA's "*Child Support Scheme Facts and Figures 1998-1999*", the net savings to run the Child Support Scheme for 1998-1999 Financial Year was determined as follows:

Gross total "savings" to the Government outlays: \$419.20 million

Less Child Support Scheme Costs by agency as reported by the CSA:

- Child Support Agency \$180.11 million
- Department of Family & Community Services \$2.70 million.
- Attorney-General's Department \$7.83 million

Sub-total = (\$190.64 million)

Net savings to Government outlays: \$228.60 million

(reference 12, page 6).

Note: No substantiation for the above figures was provided in the CSA documentation and they have been accepted here in these calculations on face value.

**(v) Number of Children per Payee (1998-1999).**

The CSA report in sub-item 4.2.1 "*Children Covered by Child Support Assessment (Stage 2)*" of "*Child Support Scheme Facts and Figures 1998-1999*" that:

"Cases registered with the CSA as at 30 June 1998 accounted for a total of 701,115 children." (reference 12, page 17),

Therefore the CSA have not provided the details of the actual number of children affected for the 1998-1999 year. The CSA have used the figures from the previous year in their documentation.

It is necessary, for completeness, to make an estimate of the number of children for 1998-1999. Therefore based on the above calculated caseload percentage increase of 8.30% 1998-1999 year, it can be extrapolated that the number of children affected would be 759,308 as at 30 June 1999.

Therefore, by further calculation, the number of affected children per payee =  $759,308/506,692 = 1.50$  children per payee (for 1998-1999).

For the purpose of double-checking, it is noted that in the next edition of "*Child Support Scheme Facts and Figures* i.e. for 1999-2000, the CSA did provide a figure of 822,761 children for the subsequent year i.e. as at 30 June 2000 (reference 13, page 17). By interpolating between the two (2) numbers, a very good estimate can therefore be arrived at for the 1998-1999 year. It is found that the number of children per payee still remains at 1.50 children per payee for 1998-1999. Therefore 1.50 children per payee is the accepted figure for these calculations.

**(vi) Minimum Family Allowance Payment (1998-1999).**

From the Centrelink publication "*A Guide to Commonwealth Government Payments*" (20 March 1999 to 30 June 1999), the minimum Family Allowance amount at 30 June 1999 was \$23.70 per fortnight per child.

Based on the 1.50 children per payee calculated above, the fortnightly Family Allowance amount can be simply converted to a weekly rate per payee.

This weekly Family Allowance per payee is  $1.50 \times \$23.70 \text{ per fortnight}/2 = \$17.78$  per week per payee. This equates to \$924.30 per annum.

That is, everyone who applies for Family Allowance can receive \$924.30 per annum regardless of whether they apply for Child Support or not. The Child Support Agency have incorrectly claimed this component of Family Allowance as part of Item D(iv) above, "*Gross Total Savings to Government Outlays*".

It is noted for the sake of this exercise, this incorrect addition has not deducted from the "savings" attributed to the Child Support Agency.

**(vii) Maximum Family Allowance "Saving" per Annum (1998-1999).**

The Basic Rates of Family Allowance in 1998-1999 were:

Child aged 0-12, each \$99.00 per fortnight.

Child aged 13-15, each \$128.80 per fortnight.

Student 16-18, each \$23.70 per fortnight.

(reference 9, page 6)

Therefore, by calculation, the average payment per annum per payee is as follows:

$1.50 \text{ children/payee} \times 26 \text{ fortnights/annum} \times (13 \times \$99.00 + 3 \times \$128.80 + 3 \times \$23.70) / 19 \text{ years} = \$3,580.82$

Maximum *Clawback* per payee:  $\$3,580.82 / 2 = 1790.41$  per payee per annum.

**viii Minimum Family Allowance "Saving" per Annum (1998-1999) i.e. above the maintenance income test area.**

From the Centrelink publication "*A Guide to Commonwealth Government Payments*" (20 March 1999 to 30 June 1999), the maintenance income test areas are:

*"Single parent, or one of a couple receiving maintenance \$951.60 per annum"  
and "for each additional child \$317.20 per annum"*

Also,

*"Maintenance over these amounts may reduce Family Allowance by 50 cents in the dollar, until the minimum Allowance amount of \$23.70 per fortnight per child is reached"* (reference 9, page 7)

Therefore the minimum amount of *Clawback* per payee per annum (i.e. above the maintenance income test area) is:

$\$951.60 \text{ per payee per annum} + 0.50 \text{ children/payee} \times \$317.20 \text{ per payee per annum} = \$1,427.40 \text{ per payee per annum}$



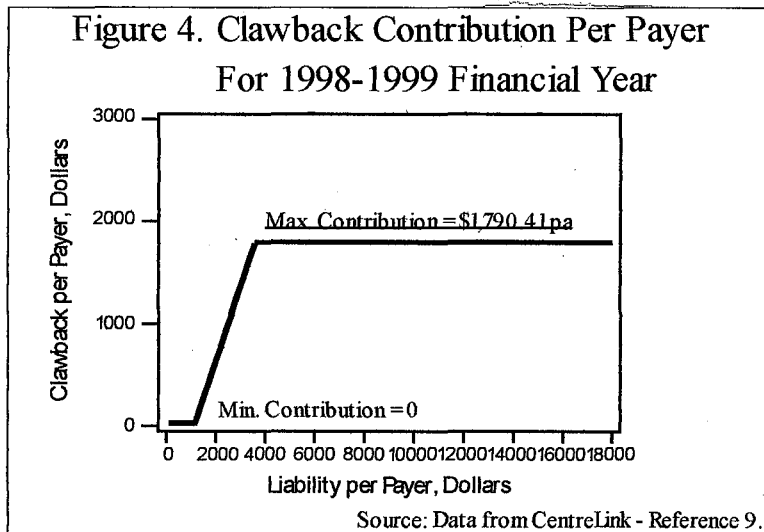
**ix. CSA's Clawback (1998-1999).**

From Table 5.2 "Payer Liabilities (June 1999)" of "*Child Support Scheme Facts and Figures*", the CSA's *Clawback* figure can be deduced.

Based on a pro-rata calculation in the \$1001 to \$2000 and \$3001 to \$4000 liability ranges, the number of cases in each of the three (3) liability ranges can be determined.

They are as follows:

- 0 to \$1110.20 liability per payer per annum = 235,567 cases with no *Clawback* provided
- \$1110.20 to \$3,580.82 liability per payer per annum = 129,115 cases with *Clawback* contribution varying from 0 to \$1790.41 per payee per annum (on a sliding scale).
- \$3,580.82 and above liability per payer per annum = remaining 162,234 cases with a *Clawback* contribution of \$1,790.41 per payee per annum.



Total No. of cases (1998-99) = 526,916. (reference 12, Table 5.2)

Therefore the CSA's Total Maximum *Clawback* =  $235,567 \times 0 + 129,115 \times (1/2 \times (0 + \$1,790.41)) + 162,234 \times \$1790.41 = \$406,049,770$ .

As at June 1999, there were actually 535,569 active cases recorded on the Child Support Scheme (reference 12, page 6). This was rather than the figure reported in Table 5.2. Therefore the *Clawback* amount should be increased by a factor of 1.016 to take account of this increase. The *Clawback* amount is therefore **\$412.547 million**.

This equates approximately to the \$419.20 million as reported by the Child Support Agency in the "*Child Support Scheme - Facts and Figures*".

It is noted that the number of cases has been used to determine the *Clawback* rather than the number of payers. This is because when a liable parent has a liability to 2 or more carers than the annual rate of payer liability is determined by apportioning the liable parent's adjusted income amount - refer sub-section 54(2) of the Child Support (Assessment) Act 1989. That is, the number of cases is the important figure rather than the number of payers.

**x. Actual Clawback (1998-1999).**

Not all families receive Family Allowance. The CSA in their calculations have assumed that all families do actually receive Family Allowance.

The Department of Family and Community Services "*Annual Report 1998-99*" stated that:

*"Family Allowance provides financial assistance to around 1.77 million Australian families in respect of some 3.4 million children. This represents about 76 per cent of Australian families with dependent children under 18 years of age."* (reference 15, page 35).

As stated by the Department of Family and Community Services above, only 76 per cent of Australian families with dependent children under 18 years of age receive Family Allowance. Twenty four (24) per cent of Australian families are not receiving Family Allowance payments.

The CSA figure is based on all families receiving Family Allowance. This is not true.

Therefore the true *Clawback* figure for the 1998-1999 Financial Year would be:

**\$412.547 million x 0.76 = \$313.54 million.**

(Therefore true Net Savings to Government outlays: \$313.54 million - \$190.64 million = **\$122.90 million**)

**xi. Effect of Means Testing and Asset Testing on Clawback (1998-1999).**

It is also noted that Family Allowance was both income and asset tested in the 1998-1999 financial year. This further reduces the amount of *Clawback* that the CSA can claim credit for. For example, in 1998-1999 financial year, the income limit to get maximum Family Allowance with one child was \$23,550.00 per annum. The corresponding income limit at which Family Allowance stops was \$66,403 per annum. Due to the difficulty in readily obtaining data, this deduction has also not been taken into account in the above calculations

According to Australian Bureau of Statistics catalogue no. 6523.0 "*1999-2000 Income Distribution*", there were at least 39 per cent of one parent families in this

range (reference 6). This fact also significantly reduces the amount of *Clawback* that should be claimed by the CSA. This deduction has not been taken into account by the CSA figures. Therefore if it were then the actual *Clawback* figure of \$308.60 million above would also be significantly reduced even further.

#### **E. Effect on Taxation Receipts for 1998-1999 Financial Year.**

The Australian Taxation Office's publication "*Taxation Statistics 1998-99*" (Published in 2001) stated under "*Revenue Collections*"

*"The main source of revenue collections was pay-as you-earn (PAYE) tax, accounting to \$77.2 billion in the 1999-2000 financial year. These collections increased by 8% from the receding Financial Year due to growth in employment and salary and wages. PAYE has been the main source of revenue over the past decade."* (reference 1, page 12)

and

*"In 1998-99, the 9.8 million individual taxpayers had a total income of \$301.5 billion and a taxable income of \$286.9 billion. After taking in to consideration the amount of income, deductions, rebates, credits and levies, eight million individual were required to pay tax. This group was liable for \$67.6 billion in net tax, representing 73 % of net tax payable for the year."*

*"The average taxable income for individual taxpayers has increased from \$28,258 in 1997-98 to \$29,411 in 1998-99. Men have a much higher average taxable income than women (\$34,460 compared to \$23,599), reflecting different employment patterns and participation in the labour force. The gap between men's and women's earnings has been increasing over time"*. (reference 1, pages 16 and 17)

According to the same publication, the exact number of individuals who submitted taxation returns were 9,755,392. The amount of tax paid by individuals was \$67.562 billion

Therefore it can be readily deduced that the average tax paid per individual for the 1998-1999 Financial Year was \$6,898 per individual.

According to the Australian Bureau of Statistics publication, Catalogue no, 1301.0 "*2002 Year Book. Australia*", the National unemployment rate for males for 1998-1999 was 7.6 per cent. (reference 3, page 119)

From the Child Support Agency publication "*Child Support Scheme Facts and Figures 1998-1999*" (reference 12, Table 5.2), the number of payers were 507,272. There were 192,025 cases, in which the payer has "*zero liability*". This represents a 36.44 per cent of the number of cases.

This then equates to 184,850 payers who have "*zero liability*" and invariably are unemployed or have a very low taxable income. Deducting the 7.6 per cent

unemployment rate for 1998-1999, therefore 28.84 per cent or 146,297 payers could be paying \$6,926 each in tax to the Government if it was not for the CSA forcing these individuals either onto welfare or into unemployment.

Using the \$6,926 average tax figure above, this equates to \$1.029 billion in revenue that is being forfeited to the Government by the actions of the Child Support Agency.

Note that this figure is certainly higher because payers in another 223,340 cases or the equivalent of a further 42.4 per cent of the total number of payers are below the average income level (i.e. payers with liabilities less than \$5,000.00 per annum but not actually on "zero" liability).

**F. CSA's Clawback and the Actual Clawback for the 1999-2000 Financial Year.**

**(i) CSA Client Numbers (1999-2000).**

From the summary contained in the "Key Facts and Figures" section of the publication "Child Support Scheme Facts and Figures 1999-2000", the CSA client numbers for 1999/2000 were reported as:

- Number of Payers - 539,166
- Number of Payees - 539,154

(reference 13, page 6):

**(ii) Gross Total Savings to Government Outlays (1999-2000).**

In the same "Key Facts and Figures" section, the gross total savings to Government outlays was reported as being inductively \$594.40 million.

**(iii) Net Savings to Government Outlays (1999-2000).**

According to the CSA publication "Child Support Scheme Facts and Figures 1999-2000", the net savings to run the Child Support Scheme for 1999-2000 Financial Year was:

Gross total "savings" to the Government outlays \$594.40 million

Less Child Support Scheme Costs by agency, as reported by the CSA:

- Child Support Agency \$198.16 million
- Department of Family and Community Services \$2.98 million.
- Attorney-General's Department \$7.84 million

Sub-total = (\$208.98 million)

Net savings to Government outlays (as rounded up by the CSA): \$385.60 million

Again no substantiation for these figures was provided in the CSA documentation.

**(iv) Number of Children per Payee (1999-2000).**

The CSA report in sub-item 4.2.1 "*Children Covered by Child Support Assessment (Stage 2)*", of "*Child Support Scheme Facts and Figures 1999-2000*" states that:

"Cases registered with the CSA as at 30 June 2000 account for a total of 822,761 children." (reference 13)

Therefore, by calculation, the number of children per payee =  $822,761/539,166 = 1.526$  children per payee.

**(v) Minimum Family Allowance Payment (1999-2000).**

From the Centrelink publication "*A Guide to Commonwealth Government Payments*" (20 March 2000 to 30 June 2000), the minimum Family Allowance amount at 30 June 2000 was \$24.00 per fortnight per child (reference 10).

Based on 1.526 children per payee, calculated above, the fortnightly Family Allowance amount can be converted to a weekly rate per payee.

This weekly Family Allowance per payee is  $1.526 \times \$24.00 \text{ per fortnight}/2 = \$18.31$  per week per payee. This equates to \$952.12 per annum.

**(vi) Maximum Family Allowance (1999-2000).**

The basic rates of Family Allowance are:

Child aged 0-12, each      \$101.60 per fortnight

Child aged 13-15, each      \$132.20 per fortnight

Child aged 16-17, each      \$24.00 per fortnight

Child aged 18-20, each.      \$50.00 per fortnight

(reference 10, page 7)

(therefore, average payment per annum to 18 years old:  $1.526 \text{ children/payee} \times 26 \text{ fortnights/annum} \times (13 \times \$101.60 + 3 \times \$132.20 + 2 \times \$24.00 + 1 \times \$50.00)/19 \text{ years} = \$3,790.94$ )

Maximum *Clawback* per payee:  $\$3,790.94/2 = \$1,895.47$  per payee per annum

**vii Minimum Family Allowance “Saving” per Annum (1999-2000) i.e. above the maintenance income test area.**

From the Centrelink publication “*A Guide to Commonwealth Government Payments*” (20 March 2000 to 30 June 2000), the maintenance income test areas are:

*“Single parent, or one of a couple receiving maintenance \$967.20 per annum” and “for each additional child \$322.40 per annum.”*

And

*“Maintenance over these amounts may reduce Family Allowance by 50 cents in the dollar, until the minimum Allowance amount is reached”.*

(reference 10, page 7). i.e. \$24.00 per fortnight

Therefore the minimum amount of *Clawback* per payee per annum (i.e. above the maintenance income test area) is:

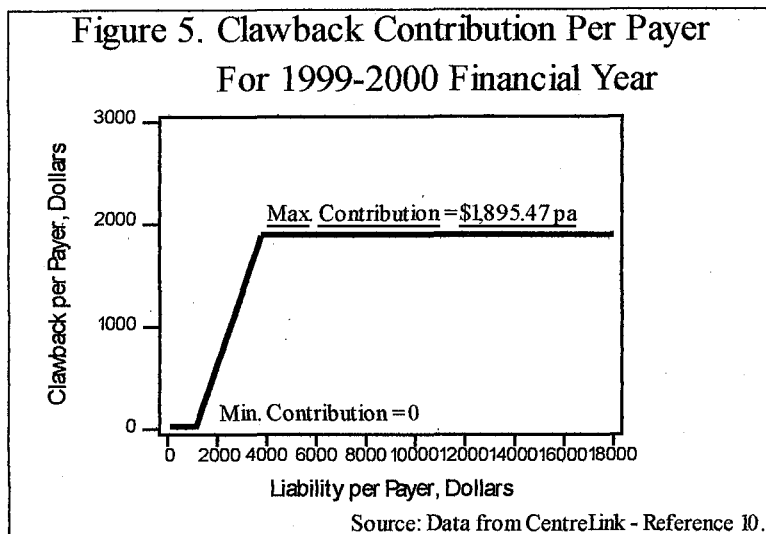
\$967.20 per payee per annum + 0.526 children per payee x \$322.40 per payee per annum = \$1,136.78 per payee per annum

**viii. CSA’s Clawback (1999-2000).**

From Table 5.2 “*Payer Liabilities (June 2000)*” of “*Child Support Scheme Facts and Figures 1999-2000*”, the CSA’s *Clawback* figure can be deduced.

Based on a similar pro-rata calculation as done previously, i.e. in the \$1,001 to \$2000 and \$2,001 to \$3,000 liability ranges, the number of cases can be similarly determined in each of the three (3) liability ranges

- 0 to \$1,136.78 liability per payer per annum = 253,465 cases with no *Clawback* provided
- \$1,136.78 to \$3,790.94 liability per payer per annum = 143,012 cases with *Clawback* contribution varying from 0 to \$1,895.47 per payee per annum.
- \$3,790.94 and above liability per payer per annum = remaining 165,365 cases with a *Clawback* contribution of \$1,895.47 per payee per annum.



Total No. of cases (1999-2000) = 561,842 (source: Table 5.2).

Total Maximum *Clawback* = 253,465 cases x 0 + 143,012 cases x (1/2 x (0 + \$1,895.47)) + 165,365 cases x \$1,895.47 = \$448,981,875.

As at June 2000, there were actually 569,710 active cases recorded on the Child Support Scheme (reference 13, page 6). This was rather than the figure reported in Table 5.2. Therefore the *Clawback* amount should be increased by a factor of 1.014 to take account of this increase. The *Clawback* amount is therefore **\$455.267 million**.

This doesn't equate to the \$594.40 million saving as inductively reported by the Child Support Agency in the "*Child Support Scheme - Facts and Figures 1999-2000*". However it is noted that in the 5th edition for the 2000-2001 year, this figure is revised down to \$425.0 million without comment by the CSA. (The \$455.267 million and \$425.0 million figures do now approximately equate).

The number of cases has been used again to determine the *Clawback* rather than the number of payers. This is because when a liable parent has a liability to 2 or more carers than the annual rate of payer liability is determined by apportioning the liable parent's adjusted income amount - refer *sub-section 54(2) of the Child Support (Assessment) Act 1989*.

#### **ix Actual Clawback (1999-2000).**

As stated previously, not all families receive Family Allowance.

The Department of Family and Community Services "*Annual Report 1998-99*" stated that only 76 per cent of Australian families with dependent children under 18 years of age receive Family Allowance (reference 15, page 35).

Therefore the above figure of \$455.267 million should be further reduced by 76 per cent of this value.

Therefore the true *Clawback* figure for the 1999-2000 Financial Year would be:

**\$455.267 million x 0.76 = \$346.00 million.**

(Therefore true net Savings to Government Outlays = \$346.00 million - \$208.98 million = **\$137.02 million**).

**x. Effect of Means Testing and Asset Testing on Clawback (1999-2000).**

It is also noted that Family Allowance was both income and asset tested in the 1999-2000 financial year. This further reduces the amount of *Clawback* that the CSA can claim credit for. Therefore if the actual *Clawback* figure of \$341.23 million above would also be significantly reduced even further.

**G. Effect on Taxation Receipts for 1999-2000 Financial Year.**

From the "*Taxation Statistics 1999-2000*" (Published in 2002), it can be found that 10,135,834 individuals submitted a taxation return. The amount of tax paid by individuals was \$76.766 billion (reference 2).

Therefore it can be readily deduced that the average tax paid per individual for the 1999-2000 Financial Year was \$7,573 per individual. (reference 2).

According to the Australian Bureau of Statistics publication, Catalogue no. 1301.0 "*2002 Year Book. Australia*", the National unemployment rate for males for 1999-2000 was 6.7 per cent (reference 3, page 119).

From the Child Support Agency publication, "*Child Support Scheme Facts and Figures 1999-2000*", the number of payers were 539,166. There were 207,300 cases, in which the payer had "zero liability" or "1 to \$260" liability, which is effectively the same thing. This represents 36.90 per cent of the total number of cases.

This equates to 198,952 payers who have "zero" liability" or "\$1 to \$260" liability per annum. The \$260 payment is effectively a "zero" liability payment. This is because \$260 is the minimum liability invariably meaning that the payer was either unemployed or on a very low taxable income. Deducting the 6.7 per cent unemployment rate for 1999-2000, therefore 30.20 per cent or 165,108 payers (including the above 1.014 factor) could be paying \$7,062 each in tax to the Australian Government if it was not for the CSA forcing these individuals either onto welfare or into low income earning employment.

Using the \$7,062 average tax figure above, this equates to \$1.250 billion in revenue that is forfeited to the Australian Government.

It is noted that this figure is certainly higher because payers in another 233,952 cases or the equivalent of a further 41.6 per cent of the total number of payers are below the average income level (i.e. payer with liabilities less than \$5,000 per annum but not actually on "zero" or "\$1 - \$260" liability).



## **H. CSA's Clawback and the Actual Clawback for the 2000-2001 Financial Year.**

### **(i) CSA Client Numbers (2000-2001).**

From the summary contained in the "Key Facts and Figures" section of the publication "Child Support Scheme Facts and Figures 2000-2001", the CSA client numbers for 2000/2001 were reported as:

- Number of Payers - 582,316
- Number of Payees - 582,518

(reference 14, page 6):

### **(ii) Gross Total Savings to Government Outlays (2000-2001).**

In the same "Key Facts and Figures" section, the gross total savings to Government outlays was reported as being \$380.4 million.

### **(iii) Net Savings to Government Outlays (2000-2001).**

According to the CSA publication "Child Support Scheme Facts and Figures 2000-2001", the net savings to run the Child Support Scheme for 2000-2001 Financial Year was:

Gross total "savings" to the Government outlays \$380.4 million

Less Child Support Scheme Costs by agency, as reported by the CSA:

- Child Support Agency \$203.7 million
- Department of Family and Community Services \$2.98 million  
( costs were not provided - assume as per previous year for FaCS).
- Attorney-General's Department \$7.8 million

Sub-total = (\$214.5 million)

Net savings to Government outlays (as rounded up by the CSA): \$165.9 million

Again no substantiation for these figures was provided in the CSA documentation.

### **(iv) Number of Children per Payee (2000-2001).**

The CSA report in sub-item 4.2.1 "Children Covered by Child Support Assessment (Stage 2)", of "Child Support Scheme Facts and Figures 2000-2001" states that:

*“Cases registered with the CSA as at 30 June 2001 account for a total of 901,356 children.” (reference 13, page 17)*

Therefore, by calculation, the number of children per payee =  $901,356/582,316 = 1.548$  children per payee.

**(v) Minimum Family Allowance Payment (2000-2001).**

From the Centrelink publication *“A Guide to Commonwealth Government Payments”* (20 March 2001 to 30 June 2001), the minimum Family Allowance amount at 30 June 2001 was \$39.48 per fortnight per child under 18 years and \$53.06 per fortnight per child aged 18 and over (reference 11).

Based on 1.548 children per payee, calculated above, the fortnightly Family Allowance amount can be converted to a weekly rate per payee.

This weekly Family Allowance per payee is  $1.548 \times (18 \times \$39.48 \text{ per fortnight} + 1 \times \$53.06 \text{ per fortnight}) / (19 \times 2) = \$31.11$  per week per payee. This equates to \$1,617.72 per annum.

**(vi) Maximum Family Allowance (2000-2001).**

The basic rates of Family Allowance are:

Child aged under 13 years	\$116.20 per fortnight
Child aged 13-15 years	\$147.28 per fortnight
Child aged 16-17 years	\$37.38 per fortnight
Child aged 18-24 years	\$50.12 per fortnight

(reference 11, page 7)

(Therefore, average payment per annum to 18 years old:  $1.548 \text{ children/payee} \times 26 \text{ fortnights/annum} \times (13 \times \$116.20 + 3 \times \$147.28 + 2 \times \$37.38 + 1 \times \$50.12) / 19 \text{ years} = \$3,902.53$ )

Maximum *Clawback* per payee:  $\$3,902.53/2 = \$1,951.27$  per payee per annum

**vii Minimum Family Allowance “Saving” per Annum (2000-2001) i.e. above the maintenance income test area.**

From the Centrelink publication *“A Guide to Commonwealth Government Payments”* (20 March 2001 to 30 June 2001), the maintenance income test areas are:

*“Single parent, or one of a couple receiving maintenance \$1007.40 per annum” and “for each additional child \$335.80 per annum.”*

And

*“Maintenance over these amounts may reduce Family Allowance by 50 cents in the dollar, until the minimum Allowance amount is reached”*

(reference 11, page 7).

Therefore the minimum amount of *Clawback* per payee per annum (i.e. above the maintenance income test area) is:

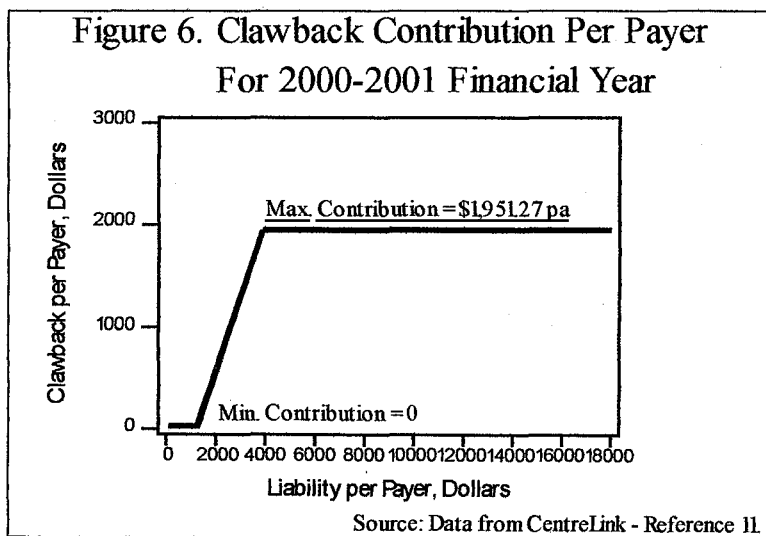
$\$1007.40$  per payee per annum +  $0.548$  children per payee x  $\$335.80$  per payee per annum =  $\$1,191.42$  per payee per annum

**viii. CSA’s Clawback (2000-2001).**

Using Table 5.2 *“Payer Liabilities (June 2001)”* of *“Child Support Scheme Facts and Figures 2000-2001”*, the CSA’s *Clawback* figure can be deduced.

Based on a similar pro-rata calculation as done previously, i.e. in the  $\$1,001$  to  $\$2000$  and  $\$2,001$  to  $\$3,000$  liability ranges, the number of cases can be similarly determined in each of the three (3) liability ranges

- 0 to  $\$1,191.42$  liability per payer per annum = 284,047 cases with no *Clawback* provided
- $\$1,191.42$  to  $\$3,902.53$  liability per payer per annum = 154,260 cases with *Clawback* contribution varying from 0 to  $\$1,951.27$  per payee per annum.
- $\$3,902.53$  and above liability per payer per annum = remaining 168,450 cases with a *Clawback* contribution of  $\$1,951.27$  per payee per annum.



Total No. of cases (2000-2001) = 606,757 (reference 14, Table 5.2).

Total Maximum *Clawback* = 284,047 cases x 0 + 154,260 cases x (1/2 x (0 + \$1,951.27)) + 168,450 cases x \$1,951.27 = \$479,192,887.

As at June 2001, there were actually 612,332 active cases recorded on the Child Support Scheme (reference 14, page 6). This was rather than the figure reported in Table 5.2. Therefore the *Clawback* amount should be increased by a factor of 1.009 to take account of this increase. The *Clawback* amount is therefore **\$483.505 million**.

The number of cases has been used again to determine the *Clawback* rather than the number of payers as before. This is because when a liable parent has a liability to 2 or more carers than the annual rate of payer liability is determined by apportioning the liable parent's adjusted income amount - refer *sub-section 54(2)* of the *Child Support (Assessment) Act 1989*.

#### **ix Actual Clawback (2000-2001).**

As stated previously, not all families receive Family Allowance.

The Department of Family and Community Services "*Annual Report 1998-99*" stated that only 76 per cent of Australian families with dependent children under 18 years of age receive Family Allowance (reference 15, page 35).

Therefore the above figure of \$483.505 million should be further reduced by 76 per cent of this value.

Therefore the true *Clawback* figure for the 1999-2000 Financial Year would be:

**\$483.505 million x 0.76 = \$367.46 million.**

It is noted that this \$367.46 million does now approximately equate to the figure of \$380.4 million representing the total savings to Government outlays. The later figure is the figure as reported by the Child Support Agency in the "*Child Support Scheme - Facts and Figures 2000-2001*". This indicates that the figures provided in previous years did not have the 0.76 factor allowed for in the CSA's calculations.

(Therefore true net Savings to Government Outlays = \$367.46 million - \$214.50 million = **\$152.96 million**).

#### **x. Effect of Means Testing and Asset Testing on Clawback (2000-2001).**

It is also noted that Family Allowance was income tested only in the 2000-2001 Financial Year (in previous years the Family Allowance was also asset tested). This further reduces the amount of *Clawback* that the CSA can claim credit for. Therefore the actual *Clawback* figure of \$364.19 million above would also be significantly reduced even further.

## **I. Effect on Taxation Receipts for 2000-2001 Financial Year.**

As previously deduced from the "*Taxation Statistics 1999-2000*" in section G, the average tax paid per individual for the 1999-2000 Financial Year was \$7,573 per individual.

According to the Australian Bureau of Statistics publication, Catalogue no. 1301.0 "*2002 Year Book. Australia*", the Consumer Price Index factor for 2000-2001 for all groups was 132.2. (reference 3, page 749). Therefore the average tax paid per individual can be estimated from the previous year. The average tax paid was \$8027.00 per individual per annum for the 2000-2001 financial year.

According to the same ABS publication, the National unemployment rate for males for 2000-2001 was 6.7 per cent. (reference 3, page 119).

From the Child Support Agency "*Child Support Scheme Facts and Figures 2000-2001*", the number of payers were 582,316. There were 236,524 cases, in which the payer has either "zero" liability, "1 to \$259" liability or "\$260" liability. These all effectively mean the same thing - the payer was almost invariably unemployed or on a very low taxable income. This represents 38.98 per cent of the total number of cases (606,757 cases).

This equates to 210,167 payers who have "zero" liability, "\$1 to \$259" or "\$260" liability per annum. Deducting the 6.6 per cent unemployment rate for 2000-2001, therefore 32.38 per cent or 190,250 payers (including the above 1.009 factor) could be paying \$7,436 each in tax to the Australian Government if it was not for the CSA forcing these individuals either onto welfare or into low income earning employment.

Using the \$7,436 average tax figure above, this equates to \$1.527 billion in revenue that is forfeited to the Australian Government.

It is noted that this figure is certainly higher because payers in another 229,912 cases or the equivalent of a further 37.9 per cent of the total number of payers are below the average income level (i.e. payer with liabilities less than \$5,000 per annum but not actually on "zero", "\$1 - \$259" or "\$260" liability).

## **J. The Myth of Pre-Child Support Scheme Low Collection and Payment Rates.**

### **(i) The Myth.**

The Child Support Agency state in item 1.2 "*A Brief History of the Child Support Scheme*" of the publication "*Child Support Scheme Facts and Figures. 1998-1999*" and similarly repeated again in the 1999-2000 edition that:

*"Even where court orders were obtained, the child support amounts ordered were low.<sup>3</sup> For example, many did not allow for inflation or for periods of unemployment..... It was estimated that only one third of parents in Australia who were ordered to pay child support did so regularly."*

Footnote "3. *Court and privately agreed maintenance payments averaged between \$10 and \$30 per week*". (references 12 and 13, page 7).

The Child Support Agency has now dropped the specific claims. However the CSA rely on similarly incorrect general statements. The 2000-2001 edition simply generally refers to "*non-payment of maintenance*", "*low levels of maintenance payments*" and "*reliance on social welfare payments*" (reference 14, page 7).

This statement regarding low collection rates and payment rates is a myth. The figures are a myth for the simple fact that they are based on statements made by the Payees **only**. No attempt was made to contact the payers and ask the same questions regarding the amount and regularity of payment of maintenance.

**(ii) Myth of Low Collection Rates.**

There has been a lot of repetition of the claim that either only one-third or 30 per cent of child support was paid prior to the implementation of the Child Support Scheme. Due to the repetition of these two (2) figures have been repeated, the original source of these figures has tended to have been "lost"

The source of the reference to this figure was followed through. It was found that it was based on background data collected by the Australian Bureau of Statistics. This data was used in a small way in the preparation of "*1981-1982 Australian Bureau of Statistics*" publication Catalogue no. 6523.0 "*Survey of Income and Housing*".

The data that was collected by the ABS Survey was not specifically targeted at determining the collection rates of child support. In fact only two (2) questions were asked in the whole survey that pertained to this subject. The data was used simply as a means of determining overall income levels. The data on child support was never and has never been intended to be published as an explicit item. Researchers can only assess the data in the archives of the Australian Bureau of Statistics in Canberra.

Peter McDonald and Ruth Weston presented a paper in 1986 to a Workshop on Child Support Issues at the Australian National University. The paper was titled "*The Data Base for Child Support Reform*" and presented on behalf of the Australian Institute of Family Studies. McDonald and Weston said that this particular ABS data was inconclusive. On page 43 of the Workshop presentation, McDonald and Weston discussed the limitations of this ABS data source (and also even less reliable other data sources on this subject). (reference 20).

In the ABS Survey, the payee was asked two (2) questions. The payee was asked whether or not "*child maintenance/alimony*" was regularly paid. The payee was also asked how much was paid.

McDonald and Weston said with respect to the ABS data that:

- *Some of the ABS data was not retained for certain subgroups who may have been receiving maintenance.*

- *The ABS data excluded maintenance receipt by men.*
- *The ABS survey did not gather information on whether a maintenance agreement existed, whether that arrangement was by court order or private agreement or, on the regularity of payments.*
- *The amounts of maintenance recorded did not make distinction between child and spousal maintenance.*

All of these criticisms by McDonald and Weston are significant. However there are several significant problems with the validity of the conclusions reached from the data obtained.

The main concern is that the payers were simply not asked these same questions. Based on research done by Harrison and Snider, these answers are very different to each other.

For example, from a sample of 1687 custodial parents and 647 non-custodial parents, Harrison and Snider found that 59.0% of non-custodial parents said that they paid as agreed or ordered. A further 16.7% said that they paid less than agreed or ordered. However, at the same time, 17.3% of custodial parents said that the non-custodial parent paid as agreed or ordered. A further 27.5 % said that the non-custodial parent paid less than agreed or ordered. (reference 17, page 148).

### **(iii) Myth of Low Payment Rates.**

- **Value of Court Orders Prior to the Implementation of the Child Support Scheme.**

The “*Joint Select Committee on Certain Family Law Issues*” said in 1994 that the average court order was \$26 per week per child in 1988. According to the footnote on the same page as this comment, this figure was based on a submission by the Department of Social Security (reference 19, page 50).

Similarly the above figure of \$26 per week was repeated by Senator Belinda Neal in the Dissenting Report. (reference 19, page 521)

In an article in their book “*Who Pays for the Children? A First Look at the Operation of Australia’s New Child Support Scheme*”, Margaret Harrison and Gregg Snider (1990) stated at page 93 produced the results from a questionnaire that was sent to pre-Child Support Scheme maintenance recipients. It was found that in 1085 cases, where there was a court order or court approved agreement, the average pre-Child Support Scheme maintenance payment was \$23.98 per week per child. This covered the years from 1979 to 1988, inclusive (e.g. 100 court orders/agreements in 1988

averaged \$26.23 per week per child, 130 court orders/agreements in the year before in 1987 averaged \$28.49 per week per child, etc.).

- **Present Day Value of Pre-Implementation Court Orders.**

In 1984/1985, the average court order was for the value of \$23.98 per week per child. The Consumer Price Index for all groups for 1984/1985 was 67.8 (reference 4, page 71). Similarly the Consumer Price Index for all groups for December 2000 was 132.2 (reference 5, page 119). Therefore had the Child Support Agency not existed, then the value of the court order/court approved agreement for the 2000-2001 Financial Year would now be **\$46.76 per week per child.**

It is interesting to note that Harrison and Snider that they found that there were very small variations between the amount agreed to, ordered, due and paid (reference 17, page 97).

That is, it can be said that the amount of actual payment and the value of the court order did not vary significantly.

- **Payments as a result of the Implementation of the Child Support Scheme.**

Based on the reported Child Support Agency collection figures (reference 13, page 6)

- a) **1998-1999 Financial Year.**

Total Collection = \$1,299.2 million (1998-1999)

Cumulative collection performance = 85.21 per cent.

Number of Children = 701,115 children.

Value of Assessment per child per week =  $\$1299.2 \text{ million} / (0.8521 \times 701,115 \times 52)$   
= \$41.82 per child per week (in 1998-1999 dollars)

- b) **1999-2000 Financial Year.**

Total Collection = \$1,386.2

Cumulative collection performance = 86.34 per cent.

Number of Children = 822,761 children.

Value of Assessment per child per week =  $\$1,386.2 \text{ million} / (0.8634 \times 822,761 \times 52)$   
= \$37.53 per child per week (in 1999-2000 dollars)

- c) **2000-2001 Financial Year.**

Total Collection = \$1,400.1 million



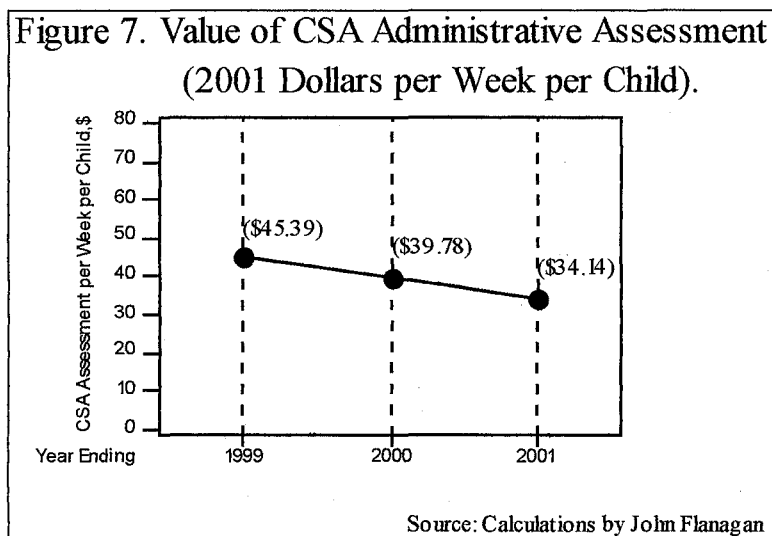
Cumulative collection performance = 87.50 per cent.

Number of Children = 901,356 children.

Payment per child per week = \$1400.1 million / (0.8750 x 901,356 x 52) = \$34.14 per child per week (in 2000-2001 dollars)

- **End Result.**

Rather than receiving the \$46.76 per week per child that the children should have received, children actually received \$45.39 in 1998-1999, \$39.78 in 1999-2000 and \$34.14 in 2000-2001.



Based on a simple calculation, children would be 37 per cent better off if the Child Support Scheme had not been implemented in the first place. This is because potential payers are simply being forced by the Child Support Scheme onto welfare and/or into very low paying employment.

(Note: 1. In order to make a more exact comparison, the above graph is in 2001 dollar values.

2. According to the CSA report CCSFF, the cumulative collection rate is increasing annually. Therefore because it is cumulative, the annual collection percentage for any one particular year would be actually somewhat higher. This would make the payment figure per child worse off for the child than what it is calculated above.

## **K. Miscellaneous Comments**

### **(i) Significant Number of Private Collect Cases.**

From the Summary Sheet above, 55.76 per cent of the child support transfers were private collect transfers by value. Also, 47.7 per cent of the CSA cases were private collect by number. Generally, all the Child Support Agency did in these cases was issue an assessment notice. Although the Child Support Scheme is draconian, the payers and payees in 47.7 per cent of the cases chose not to use the Child Support System.

### **(ii) Lack of Substantiation of CSA Documentation.**

There is a lack of substantiation of supporting documentation in the "*Child Support Scheme Facts and Figures*" publications.

As a rough guide, the cost per employee for the CSA can be compared with the cost per employee for the Family Court. According to Table 7.5 and item 7.5 of the "*Child Support Scheme Facts and Figures 1998-1999*", the CSA had 2,586.78 employees at June 1999. This equates to a cost of \$88,372 per employee. From the "*2000-2001 Annual Report*" for the Family Court of Australia, the employee cost of 722 employees was \$82,870 per employee. The overall operating cost for the Family Court for the 722 employees was similarly \$157,083 per employees. Without having a more detailed break-up of the CSA costs, no further comment can be made other than there seems to be an apparent discrepancy between the cost/employee of the two (2) similar organisations by a factor of almost 2.

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**APPENDIX.**

- Summary and Table 5.2 of the CSA publication "*Child Support Scheme Facts and Figures 2000-2001*".

# Child Support Scheme

Facts and Figures

# 2000-2001



**ChildSupport**  
*Helping parents manage  
their responsibilities*



**ATTORNEY  
GENERAL'S  
DEPARTMENT**

April 2002

## Child Support Scheme - Key Facts and Figures

	1998-99	1999-00	2000-01
<b>Support for Children</b>			
Child Support transfers:			
CSA Collect	\$571.3m	\$598.2m	\$619.4m
Private Collect	\$727.9m	\$788.0m	\$780.7m
Total	\$1,299.2m	\$1,386.2m	\$1,400.1m
CSA collection performance since inception:			
	85.2%	86.3%	87.5%
Total Collections	\$3,357.5m	\$4,010.5m	\$4,698.4m
Total Liabilities	\$3,940.4m	\$4,645.2m	\$5,368.1m
Average weekly liabilities per case:			
Stage 1 CSA Collect	\$53.99	\$52.64	\$56.37
Stage 1 Private Collect	\$51.03	\$49.42	\$49.56
Stage 2 CSA Collect	\$94.93	\$51.59	\$47.01
Stage 2 Private Collect	\$107.14	\$86.66	\$80.52
<b>Support for Parents</b>			
CSA Caseload:			
% CSA Collect	535,569	569,710	612,332
% Private Collect	56.0%	54.8%	52.3%
% Stage 1 Court Orders	44.0%	45.2%	47.7%
% Stage 2 Formula Assessment	8.6%	7.1%	5.7%
% Stage 2 Formula Assessment	91.4%	92.9%	94.3%
Children whose parents have or are now taking Reasonable Maintenance Action to ensure eligibility for Family Allowance			
	970,439	999,261	1,015,962
CSA client numbers:			
Payers	507,272	539,166	582,316
Payees	506,692	539,154	582,518
Total	1,013,964	1,078,320	1,164,834
Legal Services Funding	\$7.6m	\$7.7m	\$7.8m
<b>CSS Savings &amp; Costs to Government</b>			
Total savings to Government outlays	\$419.2m	\$425.0m	\$380.4m
Scheme costs by agency:			
CSA	\$180.1m	\$198.2m	\$203.7m
FaCS	\$2.7m	\$3.0m	\$2.3m
A-GD	\$7.8m	\$7.8m	\$7.8m
Dollars collected by CSA for each dollar spent.	\$7.21	\$7.00	\$6.87
CSA cost to collect each dollar. <sup>1</sup>	13.9 cents	14.3 cents	14.6 cents

1. In previous years this was measured as Scheme costs to collect a dollar.

**Table 5.1: Liability by Payment Arrangement, June 2001**

Liability	CSA Collect	% CSA Collect	Private Collect	% Private Collect	Total	% of Total Cases
Over \$260	173,230	54.6	197,003	68.1	370,233	61.0
\$260	103,121	32.5	56,611	19.6	159,732	26.3
\$1 to \$259	20,136	6.3	7,179	2.5	27,315	4.5
Nil	20,804	6.6	28,673	9.9	49,477	8.2
<b>Total</b>	<b>317,291</b>		<b>289,466</b>		<b>606,757</b>	

Source: Client Research Unit, Child Support Agency, June 2001.

Note: Percentages may not add due to rounding.

**Table 5.2: Payer Liabilities (June 2000)  
(Nil and Above-Nil Liabilities)**

Payer Liability (\$pa)	CSA Collect Total	CSA Collect %	Private Collect Total	Private Collect %	Total Caseload	Total Caseload %
0	20,804	6.6	28,673	9.9	49,477	8.2
1-259	20,136	6.3	7,179	2.5	27,315	4.5
260	103,121	32.5	56,611	19.6	159,732	26.3
261-500	6,675	2.1	5,043	1.7	11,718	1.9
501-1,000	13,039	4.1	10,270	3.5	23,309	3.8
1,001-2,000	35,910	11.3	29,795	10.3	65,705	10.8
2,001-3,000	32,031	10.1	28,862	10.0	60,893	10.0
3,001-4,000	22,007	6.9	22,493	7.8	44,500	7.3
4,001-5,000	16,340	5.1	19,165	6.6	35,505	5.9
5,001-6,000	12,955	4.1	17,226	6.0	30,181	5.0
6,001-7,000	8,809	2.8	13,064	4.5	21,873	3.6
7,001-8,000	6,584	2.1	10,816	3.7	17,400	2.9
8,001-9,000	4,576	1.4	8,138	2.8	12,714	2.1
9,001-10,000	3,427	1.1	6,448	2.2	9,875	1.6
10,001-11,000	2,624	0.8	5,179	1.8	7,803	1.3
11,001-12,000	1,846	0.6	4,017	1.4	5,863	1.0
12,001-13,000	1,279	0.4	3,104	1.1	4,383	0.7
13,001-14,000	1,042	0.3	2,537	0.9	3,579	0.6
14,001-15,000	820	0.3	1,903	0.7	2,723	0.4
15,001-16,000	674	0.2	1,636	0.6	2,310	0.4
16,001-17,000	621	0.2	1,532	0.5	2,153	0.4
17,001-18,000	412	0.1	1,029	0.4	1,441	0.2
18,001-19,000	229	0.1	658	0.2	887	0.1
19,001-20,000	191	0.1	526	0.2	717	0.1
>20,001	1,139	0.4	3,562	1.2	4,701	0.8
<b>Total</b>	<b>317,291</b>		<b>289,466</b>		<b>606,757</b>	

Source: Child Support Agency, June 2001.

Note: Percentages may not add due to rounding.