

## CHAPTER 10

### WOMEN AND SOLE PARENTS

10.1 Women continue to be at risk of poverty in Australia. Elderly single women and female sole parents are overrepresented in groups living on low incomes. This chapter addresses issues of women and poverty and specifically sole parents.

#### **Woman and poverty**

10.2 Recent research indicates that the poverty rate for men and woman is very similar – 12 per cent for women and 12.5 per cent for men. This is a significant improvement in the poverty rate experience by women and is primarily attributed to the improved position of sole parents. In the past, sole parents had contributed significantly to a high female poverty rate. In addition, 'the rising tide of poverty among single people younger than retirement age seems to be impacting more on men than women'.<sup>1</sup>

10.3 While the position of women has improved, there are still considerably more poor women in sole parent families than there are men (104,000 compared with 34,000) and there are 106,000 poor single women over 65 as compared with 40,000 men in this group in 2000. However, the number of poor single men under 65 years of age is 409,000 compared with 259,000 poor single women. It was concluded that 'this reflects labour market changes during the past decade, with men now facing higher unemployment rates than women. In turn, this reflects the relative contraction of the manufacturing industry and expansion of service sector jobs'.<sup>2</sup>

10.4 The key causes of poverty among women, particularly female sole parents, are:

- the continuing inequality of wage levels, with women's wages still being generally lower than those of males;
- the nature of the work which women are more inclined than males to do, which is more likely to be part-time or casual or precarious in nature;
- the high costs of child care;
- the high costs of education;
- lack of access to affordable housing;

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1 Harding, A, Lloyd, R & Greenwell, H, *Financial Disadvantage in Australia 1990 to 2000: The persistence of poverty in a decade of growth*, Smith Family, 2001, p.15.

2 Harding , Lloyd, R & Greenwell pp.15, 23.

- insufficient income support for the needs of many sole parent families;
- the impact of 'shared-care' changes to the Family Tax Benefit; and
- lack of wealth accumulation during working life to support retirement incomes.

### ***Women and work***

10.5 A significant trend in labour force participation has been the increasing participation rates of women. This has been exhibited across all age ranges, other than the youngest (reflecting higher education participation) and the very oldest.<sup>3</sup>

10.6 For women, the presence of children has a significant impact on their labour force participation. Women with dependents have lower participation rates than women without children. While the participation rate rises along with the age of the youngest child, it is not until about 50 years of age that the rates of those women with dependent children match that of those with without dependent children.

10.7 It is mothers, not fathers, who generally make the major accommodations in balancing family responsibilities with employment. Mothers are more likely to choose part-time work when their children are young, with the split between part-time and full-time employment evening out as the youngest child ages. However, the Department of Families and Community Services (FaCS) noted that partnered mothers are more likely than lone mothers to be engaged in employment: in January 2003, labour force data shows that 59.5 per cent of partnered mothers and 44.1 per cent of lone mothers with children aged less than 15 years were employed. The gap tends to diminish as children age but a gap still remains. For example, among mothers with a youngest child aged 15-24 years, 68.2 per cent of single mothers and 73.6 per cent of partnered mothers are employed.<sup>4</sup>

10.8 Time out of the workforce to have and to raise children is a significant cost for women, both during the period out of the workforce, and over a women's lifetime. Costs include reduced skill levels relative to other workers and slower career progression. Women with younger children often choose part-time work. This further adversely impacts on skill development and career advancement.

10.9 Interruptions to careers and part-time work have significant impacts on the ability of women to save for retirement. This may cause particular difficulties in the event of the breakdown of relationships.

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3 *Submission* 165, p.29 (FaCS).

4 *Submission* 165, pp.22-23 (FaCS).

10.10 While women with dependent children may choose part-time work a further matter referred to in evidence was wage inequality. The ACTU stated that women still do not have equity in wages:

But in fact women on average, when you aggregate all of that compounded restructuring of the work force, take home more than \$200 less a week than their male counterparts. Even if you go to full-time sectors – and I would argue that those sectors underpin the very basis of our community: health, education, finance, hospitality and retail – the full-time pay gap between men and women is about 12 per cent. At all levels of the occupational hierarchy, women are predominantly located at the lower end of the wages spectrum.<sup>5</sup>

10.11 The Committee heard evidence that some women are turning to prostitution, not only for the money but also for other reasons such as the availability of child care and accommodation.

Recently we conducted research into young women's legal needs. We ran a focus group with young sex workers under 25 years of age. All these young women were mothers. They cited the punitive attitudes of Centrelink staff as a barrier to improving their circumstances. They chose sex work because they were able to access night-time childminding from family and friends. The income from this work enabled them to work less hours and to provide better housing and schooling for the children and to escape poverty.

*Committee Hansard* 28.7.03, p.1004 (Youth Legal Services of Australia).

Two weeks after they arrived in town, the mother told one of our volunteers that she had found the solution to their problems as she had found a job earning \$800 a week with free accommodation. That was working in an escort agency as a prostitute. She has three children who would now be between the ages of 11 and 16. That is perhaps a more extreme example, but it is an example of some of the situations that people are forced into because they feel that they have no other option.

*Committee Hansard* 28.5.03, p.526 (St Vincent de Paul Wollongong).

### ***Impact of part-time and casual work***

10.12 For women, part-time and casual work comprises almost half of the paid work undertaken. Approximately 60 per cent of all casuals are women.<sup>6</sup> Part-time and casual work was more prevalent in rural and regional areas. In rural Victoria for example, more than half of women's paid work is either casual or part-time.<sup>7</sup>

5 *Committee Hansard* 30.4.03, p.100 (ACTU).

6 *Submission* 51, p.13 (Women's Action Alliance).

7 Colvin, K, *The Women and Poverty Report: 'More than half-less than equal'*, VCOSS, October 2001, p.16.

10.13 Many women choose part-time or casual work in order to balance child and family responsibilities. However, working part-time or as a casual affects women's employment security, career opportunities, superannuation entitlements, their bargaining power in the workplace and their ability to plan daily life. Women employed in highly casualised industries such as hospitality commonly work in poor conditions. Women may be forced to accept situations including unpaid overtime, less than award pay, split-shifts and being disallowed breaks.

10.14 Casual workers are often dependent for each week's roster on the goodwill of their employer and have little, if any, bargaining power with regards to hours of work. Women are often forced to juggle paid work and work in the home as rosters can be unpredictable. This is especially difficult if there are young children in the family and creates high levels of stress. The Women's Action Alliance stated:

The workplace has become increasingly 'flexible' in respect of working hours, and women increasingly find themselves in casual employment because that is all that is available...They find casual work very difficult for a number of reasons, but probably the most important is that they have no guarantee of the number of hours they work in any week or what hours they work in any week. When you have a family, that is enormously difficult to negotiate your way around. You may suddenly get a call to be in on a particular day and you cannot arrange child care or it is just not feasible. If you have part-time employment, where you know that you are working 12 hours a week or 16 hours a week or whatever, and it is on these set days—you might have some degree of flexibility in when you come in, if that suits the employer—that is a bit different. But to work eight hours one week and 24 the next—which can happen, particularly in retail and in some of the nursing professions and that sort of thing—can provide enormous difficulties.<sup>8</sup>

10.15 Casual workers are not entitled to sick leave, maternity leave, holiday pay, study leave, carer's leave or public holidays. Often casual workers are paid cash-in-hand so have no access to minimum award conditions, work cover or superannuation. The Women's Action Alliance noted that:

Most of the time casual workers, especially women, are working in small business situations and according to the anecdotal evidence of Women's Action Alliance members, are too afraid to claim workers compensation when injured in case they lose their job altogether.<sup>9</sup>

10.16 The problems associated with increased casualisation of work are not limited to the female workforce. However, when these problems are coupled with family and caring responsibilities, women in the casual workforce face stresses which impact on

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8 *Committee Hansard* 27.5.03, p.429 (Women's Action Alliance).

9 *Submission* 51, p.14 (Women's Action Alliance).

their families, their health and wellbeing and access to further employment opportunities.

### ***Women in retirement***

10.17 Lower wages, career interruptions and part-time or casual work all impact on the ability of women to save and plan for retirement. Research by NATSEM shows that many women face bleak retirements because they lack adequate superannuation. Of those women contemplating retirement by 2010 about 10 per cent will have accumulated less than \$27,300 by the time they retire. While this is an improvement since 1993 when women's average superannuation was only \$9,647, it still leaves many women vulnerable to poverty in old age.<sup>10</sup>

10.18 The level of superannuation at retirement depends on a number of factors:

- earning capacity: women's earnings are 66.8 per cent of men's;
- longevity: Australian women have a longer life expectancy than men and therefore have a longer dependency on superannuation and other retirement savings;
- age at which work is ceased;
- time spent not in the paid workforce: women generally are the main providers of child care in families and spend more time out of the workforce after children are born, they are also more likely to work part-time or casually until children enter school;
- access to superannuation: in August 1999, 90 per cent of employed men and 87 per cent of employed women received superannuation as a employment benefit.<sup>11</sup>

10.19 The Shop Distributive and Allied Employees' Association (SDA) argued that as women often have interrupted careers, the 'government should address the position of those with non-standard employment careers such as those who have interrupted labour market involvement in order to be able to raise children or to care for other family members'. The SDA suggested that a mechanism should be established to allow superannuation contributions to be split between the wage earning spouse and the non-wage earning spouse.<sup>12</sup>

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10 *Submission 50*, p.74 (SDA).

11 Colvin, p.21.

12 *Submission 50*, p.74 (SDA).

### *Child care*

10.20 The availability of child care can assist women to participate in the paid work force and to undertake education and training. Access to quality child care is not only of benefit for working parents; quality child care also provides access to learning and social development that may not be available in the home. This has been shown to be particularly important for children from disadvantaged backgrounds and for children whose families are dealing with homelessness, family violence or other problems. However, the affordability of child care, especially for parents with low wages, and access to child care for non-working parents remain major concerns.

10.21 ACOSS commented that unpublished ABS data on females marginally attached to the labour force show that problems in accessing child care is a significant reason for many women not actively seeking work. The ABS estimates that there were 104,000 women not actively seeking work due to problems with child care in September 1990, and 102,000 women not actively seeking work for the same reason in September 1999.<sup>13</sup>

10.22 Families have access to child care services including Long Day Care, Family Day Care, in-home care, Occasional Childcare and Out of School Hours Care. The Commonwealth provides assistance to families using child care services through the Child Care Benefit. The Benefit is paid to families using either formal child care or informal (registered) child care. Up to 50 hours of child care benefit a week is available for each child if both parents, or the sole parent, are working, studying or training; otherwise, 20 hours a week is available. A major priority of child care places is for families with parents who are working, looking for work, studying or training; these account for around 91 per cent of Commonwealth-funded child care places.

10.23 This subsidy either reduces fees at a child care service, or can be paid as a lump sum to parents at the end of the year. The benefit is income tested on family income. As at June 2002, there were 486,300 families plus up to 23,100 potential lump sum claimants for Child Care Benefit.

10.24 Child Care Benefit subsidies around 70 per cent of child care cost for a low income family (that is, with combined income less than \$30,806). The Commonwealth allocated around \$8 billion over four years from 2002-03 for child care. In 2001-02 it spent over \$1.6 billion which covered around 720,000 children in approved (formal) care. Of the around 508,000 families with children in approved care, an estimated 37 per cent are low income families.<sup>14</sup>

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13 *Submission* 163, p.151 (ACOSS).

14 *Submission* 165, pp.36,39-40 (FaCS).

10.25 Witnesses to the inquiry noted that increased subsidies have not kept pace with fee increases especially in the long day care sector. Women on low incomes still find the gap between the cost of care and the Child Care Benefit prohibitive.

For families with younger children under the age of five, child care is a real problem. To get child care in Newcastle, even with government subsidy, it is going to cost you \$100 a week. If you are earning \$300 a week, you cannot afford \$100 of that in child care, so low income families are tending to use informal child care. We hear of children being in the care of seven or eight different carers every week, maybe every day sometimes, so that is very unsatisfactory child care for low income families, and that is where poverty starts for those children. As part of the gateway into employment in this region, casual work and part-time work is often the way to go. That is very family unfriendly. It is very hard to organise your child care when you do not know where the next job is coming from or what the time will be.

*Committee Hansard 29.5.03, p.567 (Samaritans Foundation, Newcastle).*

10.26 Witnesses also noted that asylum seekers and recent migrants are not eligible for any Child Care Benefit. This not only impacts adversely on their ability to find employment but also to attend English-language and other courses.

10.27 Access to child care places was a further matter raised. In some areas there are shortages of child care places and competition for available places increases the cost of child care. This makes child care less affordable for women who wish to take up employment. In this instance, women may choose not to enter the work force or to limit their hours so that their child care costs are kept in check.

10.28 In disadvantaged and rural areas private child care operators may be unwilling to open services because of concerns with commercial viability. In such circumstances families have little if any choice of child care providers even though children from disadvantaged areas have the most to gain from quality child care:

...in poor areas we know that child care is good for kids, particularly kids who are abused and neglected. Child care is a standard preventative strategy for kids who are abused and neglected. But in poor areas the bad debt, the inability to pay for child care, is a huge deterrent to what is a very good preventative service. There are limitations on the number of places for children at risk in [Child Care Benefit] funded services. There is no recognition of the fact that because a child is at risk that is a good reason for them to go fully to child care. We need to look at how many places are available for vulnerable children within these child-care settings.<sup>15</sup>

10.29 With increasingly flexible working environments, parents are seeking more flexible child care services. However, for those working evenings, nights or weekends the choice of child care arrangements are still very restricted with most child care

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15 *Committee Hansard 2.7.03, p.929 (Barnardo's Australia South Coast).*

services open between 8am and 6pm. In order to manage child care needs across the week, many families use multiple child care arrangements. Services used may include occasional care, a child care centre, and friends and family members. Using multiple services can be disruptive to the child and family, difficult to organise and increase stress in the family.

10.30 Many witnesses supported increased funding for additional child care places, increases in the Child Care Benefit and increased access for disadvantaged children:

It is clear now that government spending on the provision of high-quality child care is not an expense on the public purse; it is in fact an investment in giving all children in Australia the best start in life so that they can reach their potential, minimising later costs on the public purse where child development is interrupted or diminished in any way through poverty, deprivation or other risk factors.<sup>16</sup>

### **Recommendation 41**

**10.31 That the Commonwealth provide additional funding to increase the number of child care places available, particularly in disadvantaged areas.**

#### *Domestic violence*

10.32 Many women leaving situations of domestic violence face personal and social disruption and often find themselves in dire financial circumstances. They may have left the family home with few possessions, no further access to joint financial resources, with injuries and traumatised children. Women in this situation must confront the demands of finding alternative housing and income security. They have to find immediate emergency accommodation as they often cannot or are unwilling to draw family and friends into their domestic crisis.

10.33 Furthermore, women who have been out of the labour market for some time find that their employment opportunities are limited. In some cases already employed women have to abandon their employment for fear of being located by a violent partner. Many women move away from friends and family to escape violence, resulting in the loss of support networks which compounds stress and isolation. The Australian Federation of Homelessness Organisations (AFHO) also noted that mothers face another challenge in the knowledge that the health of their children, especially their mental and emotional well-being, can be seriously affected from having lived in an environment of fear, uncertainty and insecurity over a protracted period.<sup>17</sup>

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16 *Committee Hansard* 1.5.03, p.200 (Ms B Romeril).

17 *Submission 57*, p.17 (AFHO).



10.34 Victims of domestic violence face the very real prospect of poverty for themselves and their children. Some women choose to stay in violent relationships rather than live in poverty.

I would like to share the case study of a middle-class woman with a background in nursing who has just come to our services with a history of domestic violence for the past five years. She has stayed in the relationship through the fear of poverty, through the fear of having to leave with no income and through the fear of taking her children out of private education. So the fear of poverty can also keep people in dangerous relationships.

*Committee Hansard 28.5.03, p.524 (St Vincent de Paul, Campbelltown).*

10.35 Many agencies indicated that services for victims of domestic violence are stretched, in particular accommodation suitable for both for women and children and men and children. AFHO stated 'many of them go to the street. Some of them stay in unsafe situations. I have known women and children escaping domestic violence who stay at home and in fear of their lives because there are no beds available.'<sup>18</sup>

10.36 While refuges may provide a temporary respite if a place is available, many women find it difficult to access secure and affordable long-term housing. As noted in Chapter 6, the waiting lists for public housing are long and often do not address the immediate needs of women and children escaping domestic violence. Many women are not able to access private rental. In this situation women 'frequently are left prey to the predatory group of sub-standard accommodation providers, or the option of returning to the family home if it still exists'.<sup>19</sup>

10.37 Women may have to seek accommodation away from their communities:

If you escape domestic violence, you often have to move long distances and you are often tracked, and so those women and those families will have to keep moving.<sup>20</sup>

For both the children and the mother, moving from place to place is disruptive and adds to the difficulties of an already traumatic situation.

### ***Women in rural and regional areas***

10.38 The Women and Poverty Forum conducted by VCOSS, the Council of Single Mothers and their Children and YWCA Victoria canvassed the issues of poverty facing women in rural and regional Victoria. The Forum found that the primary issue

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18 *Committee Hansard 20.6.03, p.726 (AFHO).*

19 *Submission 93, p.3 (Lismore Women's and Children's Refuge).*

20 *Committee Hansard 28.4.03, p.57 (SACOSS).*

raised by participants from rural and regional Victoria was the isolation and loneliness of women in country Australia. Women were also concerned about:

- difficulties in accessing services that were sensitive to women's needs and that provide choice, anonymity and confidentiality;
- income support payments that were not adequate to meet the costs of living in rural and regional areas;
- the lack of suitable work, particularly work that can be balanced with family responsibilities;
- accredited child care is often not available in rural areas which severely limits women's employment options;
- in many areas there is no bulk billing of medical services;
- there are an inadequate number of doctors, particularly female doctors, in rural and region areas; the lack of female doctors is particularly a concern for Muslim women;
- lack of public transport limits work, education and social opportunities; and
- access to services for women who are victims of family violence is limited and may be further restricted by lack of anonymity and confidentiality.<sup>21</sup>

### ***Migrant women and poverty***

10.39 Migrant women face many challenges when settling in Australia, particularly women who arrive from non-English speaking countries. Many women who have come to Australia with the expectation of a better life, often find themselves struggling to maintain even a basic standard of living post-arrival. New migrants and many asylum seekers are excluded from government services and income support and often face problems in getting access to the full range of services they need.

10.40 Migrant women find their employment options are limited, are often exploitative and commonly discriminate, particularly if their English language skills are poor.<sup>22</sup> Lack of recognition or undervaluing of overseas qualifications can also lead to poverty. Migrant women may be forced to take the first job available rather than a job that reflects their training and skill level. Many migrant women find work in the manufacturing sector, particularly in the clothing industry, through sub-contractual arrangements. The pay is poor and the hours are long.

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21 Colvin, pp.28-29.

22 Colvin, p.12. See also *Committee Hansard* 30.4.03, p.83 (VCOSS).

### **The story of a migrant outworker**

I came from China twelve years ago, and I have two children. Firstly I worked in a sweatshop and after I had my second child I started working from home.

At home, the boss just gives me over locking work for part of the garment, so I don't make whole garments. Because of this I am not always busy, as I have to wait for someone else to finish the rest of the garment. I only work about 6 hours a day. The boss gave me the machine to use, so I am not able to get other work from other contractors to increase my income. Even though the boss gave me the machine I have to pay for any repairs if it is broken.

I am very fast at sewing, but my rate of pay is still very low as the piece rate is low. I usually can get about \$6 an hour. When I first started working at home I was actually getting \$8-9 an hour because I was fast. The boss was surprised that I was so fast, so he reduced the rate he paid me for future orders of the same style.

Because my husband's income is very low it is not enough for our family to survive, so I must keep this job. Sometimes the sewing work gets busy with large, urgent orders, and then I don't have time to look after my children properly. At these times I get a lot of pain in my back and neck. There is also a lot of dust in the house from the material, so my children and I often get sick from this.

All these things make me really upset and I want to give up sewing, but I don't have any choice about getting another job. Even if I can only make \$100 to \$200 in a week that is very important income for my family.

...One of the dresses I made for Sussan I later saw in the shop for \$50. I received \$1 for doing the over lock sewing on that garment, which was about half the total sewing. In Sportsgirl I saw a top I had made selling for nearly \$30 and I only received 60 cents per garment for over locking, which was most of the sewing for that garment.

In addition to these low rates of pay, I did not receive any superannuation, holiday pay, sick pay, overtime pay and I am not covered for workers compensation.

I am telling my story because I want people to understand the outworkers situation and the bad conditions in which your clothes are made. I want the government to take steps to stop this exploitation. They must force the retailers to take responsibility for the clothes they sell. I don't want my children to experience the same injustice I have suffered.

*Submission 153, pp.7-8 (IWSA).*

10.41 In addition to low pay, working migrant women often face costs not generally faced by the rest of the community:

- poverty in their own community means informal support – including meals, baby-sitting, assistance with housing, transport and education etc – are less available, and if needed must be paid for;
- poverty in their own community means those with employment are asked to contribute to community needs at a greater rate;
- poverty in countries of origin mean many immigrant women are sending money out of Australia; and

- laws only applying to immigrants, such as those related to English language skills and testing; translation of documents; waiting periods for health and other benefits; the payment of fees in educational institutions, mean immigrant women incur costs others in the Australian community do not.<sup>23</sup>

10.42 Many older migrant women find accessing mainstream services difficult. When they do try to gain access, cultural, linguistic and historical differences present barriers and obstacles.<sup>24</sup>

10.43 Through its work, the Immigrant Women's Speakout Association (IWSA) identified a number of problems facing migrant women. IWSA was concerned that lack of understanding by services agencies sometimes exacerbated the poverty of some migrant women. Migrant women are also particularly vulnerable to the penalty provisions under the social security legislation and experience more difficulties in making applications and accessing mainstream services. In some instances service providers do not take into account the special laws applying to migrant women.

A mainstream women's service received a referral from IWSA for an Asian woman suffering an intolerable situation of domestic violence. There was no actual physical violence, but the use of threats, implied violence and deprivation of money, freedom of movement and the right to undertake education. The counsellor from the mainstream service –

1. Misinterpreted the victim's communication [due to cultural and linguistic reasons] and incorrectly concluded this was not a case of domestic violence;
2. Was not familiar with domestic violence provisions of Australia's immigration law, and did not advise that these applied to the victim's situation;
3. Due to the above two factors, advised the victim that no financial support or health services were available to the victim or her child [who was an Australian citizen, as her father was an Australian citizen], and that she should return to her "own country".

As a result the victim remained in Australia [she thought illegally], without income, relying on friends for accommodation and hoping not to get sick or have an accident requiring medical treatment. She experienced months of abject poverty, when under Australian law she was entitled to permanent residence, a range of Centrelink benefits and Medicare.

*Submission 153, p.2 (IWSA).*

10.44 As highlighted in the above case, domestic violence is major issue for migrant women. IWSA stated that it saw a pattern of increasing homelessness for migrant women and children who are escaping situations of domestic violence. VCOSS also noted that migrant and refugee women who are attempting to escape family violence

<sup>23</sup> *Submission 153, p.5 (IWSA).*

<sup>24</sup> *Submission 153, p.2 (IWSA).*

are particularly vulnerable if they are unable to access social security or safe, adequate and affordable alternative housing.<sup>25</sup> AFHO added that under domestic violence provisions of the Immigration Act women from non-English speaking backgrounds can apply to change their visas. However, 'there is no expeditious procedure for their application to be reviewed, and often women are placed in the intolerable position of either having to stay at a crisis accommodation service indefinitely or return to their violent partner'. An added problem is the lack of financial support from the Commonwealth during visa application and review periods as many medium term or transitional accommodation providers will not accept women without an income.<sup>26</sup>

10.45 IWSA also indicated that it often dealt with women who marry Australian citizens, believing that their husbands have taken care of visa arrangements when in fact they have not done so. The women remain in Australia without a spouse visa, and they do not progress to a permanent spouse visa and citizenship. If domestic violence arises and their situations become intolerable, they leave for their own personal safety. As they are in effect illegal non-citizens without a spouse visa, they have no access to the domestic violence provisions of Australian immigration law, which only applies to temporary visa holders. Many prefer to stay on illegally, rather than return to their country of origin. Some return to their situation of domestic violence, enduring further abuse in the hope their husband will arrange their temporary spouse visa allowing them to remain legally. IWSA indicated that it believed an expansion of the domestic violence provisions to cover such cases is urgently needed in the interests of addressing the injustice and threats to these women, and to address the poverty facing these women when they choose to escape domestic violence.<sup>27</sup>

### **Sole parents**

10.46 The sole-parent population in Australia has more than doubled since 1974. In 2002 there were 508,300 one-parent families with children aged 0-14 years.<sup>28</sup> In 1997 there were 162,800 sole parent families with at least one child under the age of 5 years. Most sole parents are women (84 per cent in 1997).

10.47 Studies indicate that while the poverty rate for sole parents declined over the 1990s, sole parents still face a high risk of poverty. Using the before-housing half average income poverty line, that the poverty rate for individuals living in sole parent families in 2000 was 21.8 per cent. Whilst one in five individuals in sole parent families remains in poverty, this rate is lower than the 28 per cent rate of poverty faced in 1990.

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25 Colvin, p.14.

26 *Submission 57*, p.28 (AFHO).

27 *Submission 153*, p.3 (IWSA).

28 AIHW, *Australia's Welfare 2003*, p.219.

10.48 The decline in poverty for sole parents has been due to the implementation of government policy initiatives including greater generosity to assist low income working families with children such as family income supplements; increases in social security pensions; increases in allowances for example, rent assistance and the extension of rent assistance to a wide-range of low-income families with children who rented privately; and the introduction of the Child Support Scheme.

10.49 However, despite the decrease in the poverty rate, sole parent families still face the highest risk of poverty of all family types. Sole parent families with more than one child faced a higher risk of poverty: the poverty rate for individuals in sole parent families with more than one child was 25.9 per cent compared to 15.4 per cent with only one child. Although sole parents have the highest risk of poverty, sole parent families make up only 13 per cent of all Australians in poverty.<sup>29</sup>

### ***Low income sole parent families***

10.50 Submissions also provided evidence that indicated the hardship faced by sole parents. The Smith Family's research into spending patterns of low income families shows that many sole parent families find it difficult to make ends meet. For example, in low income sole parent families, almost one-quarter of the total weekly spending is devoted to current housing costs. This compares unfavourably to total sole parents who devote 17.7 per cent of weekly spending to housing and 14 per cent recorded by the average Australian households.

10.51 Low income sole parents spend the highest proportion of their budgets on essentials. For example, a high proportion of their income is spent on food: 22.4 per cent. In total, housing and food account for just under half of the total weekly spending of low-income sole parents. Alcohol accounts for only one per cent of total spending. However, spending on smoking accounts for 3.6 per cent of total weekly spending.<sup>30</sup>

10.52 Examples of the difficulties of making ends meet were provided by TasCOSS:

I can't afford basic food. I have a 16-year-old boy who was always hungry. He eats a loaf of bread a day. One standard loaf of bread a day costs \$1000 per year out of an income of \$12,000 a year.

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I've had days when I've gone without food to feed the kids. I've done that a lot, you get used to it. It probably happens every couple of months—when the Hydro [electricity] bill comes in.<sup>31</sup>

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29 Harding, Lloyd, R & Greenwell pp.7-8.

30 *Submission 172*, pp.26,37 (Smith Family).

31 *Committee Hansard 2.5.03*, p.218 (TasCOSS).

10.53 Other spending by low income sole families is limited by the impact of housing and food costs. Spending on recreation and transport is low: only 9 per cent on each item. The Smith Family noted that the spending on recreation was a particularly low figure given that these are households with children while the average Australian household spends 16.8 per cent on transport. Only one in every two adults living in a low income sole family owns a car (compared with 73 per cent generally). Those without a car must rely on public transport. However, as VCOSS noted, access to public transport is often difficult because either the services do not exist or the cost is too high. This 'has an impact on poverty, and in particular, on women and women with children'.<sup>32</sup>

I have been a sole parent for 10 years. I bought a house from the property settlement from my ex for \$65,000. My girls were then eight and 10. I continued working, studying and providing a consistent environment for them. As they entered high school, I battled to pay for uniforms, fees, music and dance lessons. The extracurricular activities and sport had to go to pay for books and ever-increasing shopping bills, quarterly bills, rates and GST.

My youngest daughter was diagnosed with diabetes four years ago and my grocery bill rose substantially. I started having to pay for ophthalmic and cardiology specialist visits, specialist appointments, podiatry and things not covered by her low-income health care card or Medicare. I had to juggle credit cards which kept us in comparative poverty and my debts kept increasing. There were no holidays or anything special and the girls worked or taught music after school to pay for excursions and clothes. My house is old and run down and, just when I thought I could pay the electricity bill, the roof would leak, the plumbing would explode or the fridge would break. Thanks to the property boom, I have been able to consult and refinance twice in the last 10 years just to keep basic maintenance on the house. It shows a lot of signs of water damage inside which devalues it considerably. Bank fees and interest rates are eating into my pay. My 10-year-old car is needing costly repairs—I have just had to borrow \$1,000 to get it through registration.

I take home \$458.60 a week which should be enough to live on, but it is not. My eldest daughter has dropped out of university. She was accepted in Sydney last year but could not keep up with the accommodation and living expenses, and I could not help her. My youngest daughter has just pulled out of year 12 to get extra hours in a pharmacy where she works after school because she is sick of me being broke. She helps out a lot with the shopping. Her medication costs \$50 a week. A lot of people work hard and by the age of 50 are looking for some financial independence in the future. I have worked very hard in a stressful but intrinsically rewarding career to achieve a debt of \$120,000, which is twice what I had 10 years ago and I have got even less to show for it. It is not through mismanagement, it is just to keep a roof over our heads and care for my children, and I believe they should eat properly.

*Source: Committee Hansard p.590, 29.5.03, (Ms S Cant, LHMWU).*

10.54 Other characteristics of low income sole parent households include:

- children of low income sole parents are overwhelmingly in public schools rather than non-government schools;
- telecommunications absorb a higher proportion of household spending than for high-income households; and
- there is little saving, less than \$4 per week compared to the Australian average of \$83.<sup>33</sup>

10.55 Relief agencies also submitted that high numbers of sole parents were seeking assistance and that this indicated their relatively high level of hardship. An analysis of ACOSS emergency relief applicants by family type in 1999 showed that 31 per cent applying for relief were sole parents.<sup>34</sup> Mission Australia stated 'many sole parents use our services. One of our managers said they stand out as one group that experiences significant financial stress...whether that is in relation to accessing welfare services or the costs of heating, meals, food and general community participation.'<sup>35</sup> Sole parents are also over-represented amongst homeless families, comprising 85 per cent of families pressing for assistance through SAAP services.<sup>36</sup>

10.56 There are a number of factors that influence the high rate of poverty of sole parents:

- labour market disadvantages of sole parents, including:
  - the difficulties of one parent combining work with parenting, including the lack of another parent to care for children and therefore a greater reliance on paid child care;
  - the gender and educational disadvantage of sole parents; and
  - discrimination against sole parents in the work force;
- their disadvantaged position after marriage separation. While the introduction of the Child Support Scheme has helped reduce the unequal situations of custodial and non-custodial parents following separation, problems still remain including the higher costs of separated families;

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33 *Submission 172*, pp. 26, 37 (Smith Family).

34 *Submission 163*, p.78 (ACOSS).

35 *Committee Hansard 26.5.03*, pp.331-32 (Mission Australia).

36 McClelland A, *'No child...'* *Child poverty in Australia*, Brotherhood of St Laurence, April 2000, p.33.



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- the discrimination and prejudice that can be faced by sole parents; and
  - inadequacy of income support payments.<sup>37</sup>

10.57 The Department of Families and Community Services (FaCS) indicated that many sole parent families experience multiple levels of disadvantage that impact upon both the parent and their children, over the short and the long-term including:

- lower rates of employment amongst lone mothers than amongst partnered mothers;
- long-term dependency on income support. Recent analysis estimates that women coming onto Parenting Payment (Single) may, on average, spend more than 12 years on income support of one kind or another while they still have dependent children. In addition, FaCS analysis of parents who were receiving Parenting Payment (Single) at the time their youngest child turned 16 and they lost eligibility for parenting payment, indicates that over 50 per cent were still in receipt of some form of income support five years later;
- preliminary research also suggests that in addition to the initial trauma of the relationship break-up that resulted in many women becoming sole parents, many of them have ongoing unstable relationships. The research found that many low income women cycle between single and partnered parenting payment status;
- lower levels of educational attainment;
- higher levels of mental health problems; and
- high levels of hardship, as evidenced by going without meals and heating, having to sell or pawn items or receiving assistance from welfare organisations.

10.58 FaCS noted that while not all sole parents experience this type of disadvantage, where it occurs it points to a significant barrier to participation and generally results in poor outcomes over the lifecycle. FaCS submitted that:

Welfare reform is seeking to address a range of barriers for all low-income parents, initially through changes introduced as part of the *Australians Working Together* package. The changes will support parents to build skills and to plan for the future and a return to work.

Implicit in these programs is a recognition that the poor outcomes experienced by many low-income parents, including sole parents, are the

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37 McClelland, pp.33-34.

result of multiple levels of disadvantage. Addressing these problems requires assistance to go beyond merely providing income support. These programs seek to respond to individual needs and improve overall living standards where possible.<sup>38</sup>

### ***Sole parents and work***

10.59 FaCS noted that there had been a decline in the rates of joblessness of sole parents over the last decade. This has been a long-term trend that was temporarily disrupted by the recession at the beginning of the 1990s, but has since been restored. The rate of joblessness amongst sole parent families with children under 15 has dropped from a peak of 66.1 per cent in June 1983 to 53.8 per cent in June 2002. The highest rate of constant joblessness was recorded amongst sole parents with children above the age of 15 years only.

10.60 Joblessness in sole parent families is usually due to the parent not in the labour force, rather than being unemployed, that is, seeking but unable to find a job. 91.5 per cent of jobless sole parent families are headed by women.<sup>39</sup>

10.61 While it may appear that there is greater financial incentive for lone mothers to gain employment, as they are less likely than partnered mothers to have access to a second household income, research indicates that many sole parents choose not to undertake employment and have a lower rate of employment than partnered mothers.

10.62 Women heading sole parent families often choose to stay out of the workforce because of parenting responsibilities and because of the difficulties of combining paid work and parenting. Parenting was seen as a higher priority than obtaining paid work. In addition, without a partner, they are less likely to be able to share parenting responsibilities and so may have to rely on child care. Often the high cost of child care acts as a major disincentive to employment.

10.63 For those who choose employment there are additional barriers including lack of appropriate and up-to-date skills, poor self-confidence, lack of job availability generally, and difficulty of finding employment in school hours. Where there is part-time and casual work available, it is in sectors, for example hospitality and cleaning, which offer low wages.

10.64 The low level of educational attainment of sole parents was noted by FaCS: for example, 52.5 per cent of female sole parents finished schooling prior to Year 12, compared to 39.3 per cent of mothers in couple families. This difference continues at higher levels of education, with 27.1 per cent of lone mothers compared to 30.1 per cent of those in couples having a diploma or skilled vocational qualification, and just

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38 *Submission 165*, p.23 (FaCS).

39 *Submission 165*, pp.23, 54 (FaCS).

9.0 per cent with a degree or higher qualification, compared to 16.3 per cent of partnered mothers.<sup>40</sup>

10.65 Many sole parents who undertake casual and part-time work to fit in with school hours while their children are young, try to expand their working hours and thus increase their income when the children become older. However, ACOSS noted that 'the majority of sole parents in Australia face barriers to progression from low paid casual and part-time employment to more secure full-time jobs.'<sup>41</sup>

10.66 A further barrier to improving family incomes is the low returns from working as a result of the income test on benefits and tax on earnings. Research into financial incentives for working mothers found that mothers, both sole and partnered, face a difficult decision to return to work or to increase their hours of work. It was concluded that:

The interaction of the tax and social security systems and the additional burden of increasing child care costs mean that for some types of families, particularly those on low incomes, the financial incentives to work can be quite small.<sup>42</sup>

10.67 One way of improving the job and career prospects of sole parents is to improve their educational opportunities. ACOSS concluded:

Further education and training are key factors in overcoming the employment barriers for this group, borne out of the fact that sole parents show greater interest in and benefit more from such assistance than other groups of jobless people. It is not the fact that sole parenthood per se that leads to poverty – it is joblessness, low social security payments and low pay that are the key determinants.<sup>43</sup>

### ***Income support payments***

10.68 The principle income support payment for sole parents is the Parenting Payment (Single). This is paid to carers of children under 16 years. Parenting Payment (Single), like other pensions, is indexed in line with MTAW. As at June 2002 there were 427,846 recipients of Parenting Payment (Single).

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40 *Submission 165*, p.23 (FaCS).

41 *Submission 163*, p.137 (ACOSS).

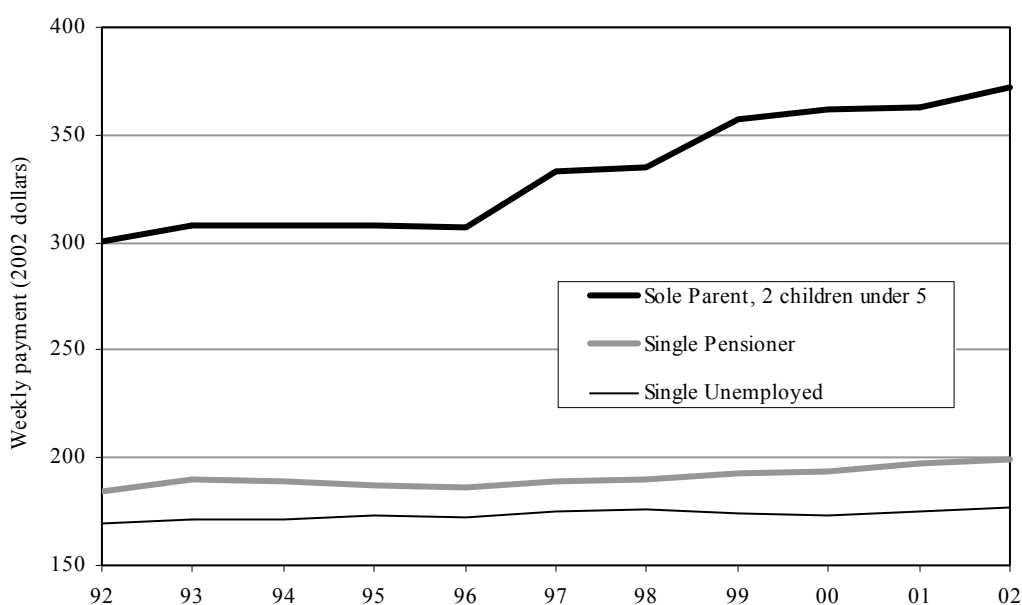
42 Toohy M & Beer G, 'Is it worth working now? Financial incentives for working mothers under Australia's new tax system', Paper presented to the 2003 Australian Social Policy Conference, 9 July 2003, NATSEM, p.18.

43 *Submission 163*, p.16 (ACOSS).

10.69 As with all low and middle income families, sole parent families with children under 16 or full-time dependent students aged 16-24 are eligible for Family Tax Benefit A. FaCS noted that 'it has a means test that is generous, ensuring it is widely received, and rates are relatively high for low-income families'. Sole parents may also be eligible for additional assistance under Family Tax Benefit B arrangements. This benefit is paid at a higher rate for families with children under 5 years of age.<sup>44</sup> In 2002, 570,700 sole parents (965,200 children) received the maximum rate of FTB B.<sup>45</sup>

10.70 FaCS noted 'adjustment of pension rates in line with community living standards has been guaranteed by legislation'. Figure 10.1 shows that income support for sole parents had increased over the last decade.

**Figure 10.1: Rates of Income Support Payments: Single Adult Unemployment Benefit, Single Pensioner and Sole Parent with two children under 5 years of age, 1992-2002**



Source: *Submission 165*, p.37 (FaCS).

10.71 An example of the impact of the income support arrangements was provided by FaCS. A family with two children with the parent earning the minimum wage of \$448.40 less \$64.03 in tax paid, would also receive \$58.77 in parenting payment and \$228.32 in family tax benefit, including rent assistance. The net income would be \$671.46. For a sole parent family on the same wage, 'the net income would be \$684.91

44 *Submission 165*, pp.36-37 (FaCS).

45 AIHW, *Australia's Welfare 2003*, p.224.

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per week. To achieve that sort of after tax and after benefit income level, a single person would need to be earning around \$45,000 per annum'.<sup>46</sup>

10.72 Sole parents also have access to child care benefits. Up to 50 hours of child care benefit a week is available for each child if the sole parent is working, studying or training, otherwise 20 hours a week is available.<sup>47</sup>

10.73 Sole parents appear to remain dependent on income support for considerable periods of time. FaCS commented that recent research estimates that lone parents, on average, spend more than 12 years on income support payment while they have dependent children, and often continue throughout their working life.<sup>48</sup>

10.74 NATSEM research showed that sole parent families reliant on government income support payments have benefited from improvements to the level of benefits. However, witnesses continued to stress that sole parent families were still at risk of poverty as payments were not adequate to meet the needs of sole parent families.

10.75 ACOSS provided an analysis of the adequacy of income support payments including payments to sole parents using three measures: Budget Standards; measures of hardship or financial stress; and the Henderson Poverty Line.

10.76 Budget Standards research was conducted by the Social Policy Research Centre and assessed the adequacy of payments against a 'low cost budget'. In the case of a sole parent with two children, receiving a social security payment of \$428 per week (including maximum rent assistance), the income was 76 per cent of the Low Cost Budget.<sup>49</sup>

10.77 ACOSS also provided studies of hardship or financial stress. The first, by Bray using ABS research, indicated that for sole parents relying mainly on social security payments, the risk of hardship was 43 per cent. Using emergency relief data from its 1999 survey, ACOSS found that 30 per cent of applicants were sole parents. This is the second largest group seeking emergency relief.<sup>50</sup>

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46 *Committee Hansard* 20.6.03, p.688 (FaCS).

47 *Submission* 165, p.40 (FaCS).

48 *Submission* 165, p.14 (FaCS).

49 ACOSS, 'Fairness and Flexibility: reform of workforce age social security payments in Australia', Paper 129, September 2003, p.42.

50 ACOSS, pp.43-44.

**Table 10.1: Comparison of Social Security Payments to Henderson Poverty Line (including housing costs) – \$ per week, September quarter 2002**

Family/Income Unit	Base Rate	FTB A and/or B	Rent Assistance	Total Payment \$ per week	Poverty line \$ per week	Rate as % of poverty line
<b>Head in Workforce</b>						
Sole Parent unemployed – 1 child	\$211	\$101	\$53	\$365	\$378	97%
Sole Parent unemployed – 3 children	\$211	\$228	\$60	\$499	\$536	93%
<b>Head not in Workforce</b>						
Sole parent not in labour force – 1 child	\$211	\$101	\$53	\$365	\$322	113%
Sole parent not in labour force – 3 children	\$211	\$288	\$60	\$499	\$481	104%

Source: ACOSS, *Fairness and flexibility*, p.41.

10.78 ACOSS concluded that 'although the data sources and methods used in these studies vary, consistent patterns emerge...In the 'hardship' studies, *sole parent families* emerge as a relatively disadvantaged group (compared to couples with children). This is consistent with anecdotal evidence from community agencies and many local studies of financial hardship.<sup>51</sup>

10.79 ACOSS also looked at the additional costs facing sole parent families in raising children alone. It noted that the only comprehensive Australian study of these costs had concluded that they were equivalent to approximately 10 per cent of the average costs facing a couple without children.

10.80 ACOSS noted that these costs had in the past been recognised through a special payment called Guardian Allowance. After the introduction of the 2000 tax package, the Guardian Allowance was absorbed into Family Tax Benefit B. ACOSS stated that this raised the overall income of many sole parent families significantly, 'but in an uneven way'. The reason for this is that FTB B for a family with a child under 5 years is \$17 per week more than the rate for families with older children, despite the fact evidence indicates that the cost of children are more likely to rise as they get older.<sup>52</sup>

51 ACOSS, p.45.

52 ACOSS, p.56.

10.81 Recent research by NATSEM found that older children are more expensive than younger children, with costs generally increasing steadily with the age of the child. Older teenagers appear to cost at least twice as much as very young children, irrespective of the income of the family. It was estimated that for a low income family, that is an average of \$567 per week, children cost:

0-4 years	\$55 per week
5 to 9 years	\$98 per week
10 to 14 years	\$130 per week
15 to 17 years	\$213 per week <sup>53</sup>

10.82 When a child turns 16 in a sole parent household, the sole parent families also experience a substantial loss of income even when the receipt of the Youth Allowance is taken into account.

...suddenly my daughter turns 16—as she did this year—and Centrelink sent me what I think is an ultimatum. ‘Your daughter’—who has just turned 16 and has no survival skills and is happy in school—‘must now accept youth allowance’. The reason she must accept youth allowance is because they are going to take my family payments for her away. Suddenly my budget is down by about \$100 a fortnight.

My choice is to do what I believe and not allow her to have youth allowance because she is quite happy being a schoolgirl. I would like her to go and get a part-time job and be independent but I cannot afford to do that because I cannot afford to be \$100 a fortnight down. So we had to bite the bullet and she is now a year 11 student who pays board, does nothing—except a few dishes or whatever during the week—and collects in her hand \$70 for the privilege. How is that going to teach her to be a hardworking Australian citizen?

*Committee Hansard* 28.7.03, p.1016 (Ms Kerry Allan, People with Disabilities WA).

10.83 St Vincent de Paul, citing a similar case where the parent now sought assistance from time to time with bills 'because she is simply unable to manage on a reduced income', stated that 'the transfer of family income from a parent to a 16 year old girl is not having the right effect. I imagine the idea of the youth allowance is to encourage people to stay at school'.<sup>54</sup>

10.84 ACOSS also argued that the current base rates of payment do not adequately recognise the costs of sharing the care of children in two families. Where care of a child is shared between two households, the costs are usually higher than the 'standard' costs of raising children. For example, two separate bedrooms must usually be maintained for the same child.

53 Percival R & Harding A, 'The Costs of Children in Australia Today', Paper presented to the AIFS Conference, Melbourne, 13 February 2003, NATSEM, p.3.

54 *Committee Hansard* 26.5.03, p.358 (SVDP Sydney).

10.85 Witnesses advocated an increase in the family payment to separated households to take account of the lack of economies of scale in separated households and the higher costs of raising children alone. ACOSS recommended that this could be achieved by the introduction of a Sole Parent Supplement, along with a Shared Care Supplement to address the additional costs of raising a child in more than one household.

10.86 Problems arising from splitting of Family Tax Benefit were raised by other witnesses.

[A mother] shared the care of her children with her ex-husband. She had the children 64 per cent of the time and this had been an arrangement for a number of years and for three or four years prior to the introduction of the family tax benefit. She had never actually been asked by Centrelink how often she had the children. Centrelink told her the amount of family tax benefit she received, but they never told her the percentage of family tax benefit that she was paid. She was unaware that she was receiving family tax benefit at 100 per cent. She completed her tax return each year and on her tax return she declared to the Australian Taxation Office that she had the children in her care 64 per cent of the time. But, of course, the tax system and the social security system are not necessarily linked in that regard anyway. Her ex-husband decided that he would claim family tax benefit and he was successful, because he legitimately had the children 36 per cent of the time. He received arrears of family tax benefit for the year in which he had claimed care of the children. It took Centrelink another six months to figure out precisely what level of care of the children each of the parents had and what percentage of family tax benefit each should receive, although there was no dispute between the parents.

The end result was that my client ended up with a debt of \$7½ thousand. Her ex-husband ended up with arrears of \$1,500 for the corresponding period. The discrepancy is because her ex-husband was in a high paying job and had repartnered, so that family's income was used to determine his rate of family tax benefit. He was only entitled to the minimum rate, whereas she, being a sole parent, had been paid family tax benefit at the maximum rate. That money had been spent on the children—it had been expended in good faith, assuming that she was entitled to the amount of money she was paid. The balance—the discrepancy—was a windfall to the government. I tried to argue at the Social Security Appeals Tribunal that there were special circumstances in this case and that at least as much of the debt as was a windfall to the government ought to be waived. But the tribunal did not buy that argument—she was unsuccessful—and she is paying the debt back, slowly.

*Committee Hansard 2.7.03, p.945 (Illawarra Legal Centre).*

10.87 The National Council of Single Mothers and their Children (NCSMC) argued that income adequacy for sole parents has also been 'substantially' undermined by changes to the family payment system. In particular, the introduction of splitting family payments proportionally over a ten per cent threshold has resulted in a 22 per cent drop in family support income to the primary carer household, when children see the non-custodial parent every second weekend and half the school holidays. This equates to about \$50 a fortnight that the primary carer household loses and the other gains if that household is eligible under the income test. The NCSMC reported where



this had occurred, the impact could be great: children had to withdraw from sporting and extra curricula activities; and, families were living without utilities, selling the family car and moving to less expensive accommodation because of the reduction in family support payments when children see their father.<sup>55</sup>

10.88 A further difficulty noted by NCSMC was that a disproportionate amount of expenses are borne by the primary carer which is not reflected in the percentage loss to the primary carer. In addition, the percentage of care is calculated with reference to court orders or agreements by the parents as to the pattern of care. In reality, some contact parents do not attend contact. In such cases, the primary carer loses part of the family tax payment while caring for the children the whole time. NCSMC noted that there were no legal consequences for this action.

10.89 The Council argued that if the policy for splitting family payments was evaluated, it would be found that 'the policy has dramatically reduced the level of financial support for children living in primary carer households and that it effectively fines children for seeing their non-resident parent'.<sup>56</sup>

10.90 The Lone Fathers Association of Australia (LFAA) also pointed to the costs of non-custodial parents in maintaining contact with their children. The LFAA argued that consideration should be given to a tax rebate being provided, as an alternative to a contact allowance, to cover some part of the cost of contact between parent and child. This should be done in such a way as to not affect the custodial parents' income.<sup>57</sup>

10.91 It was also suggested that there is greater opportunity for debt creation for sole parent families under the family payment scheme. Four areas of debt creation were noted:

- 'share care' debts arising when the other parent claims a higher percentage at the end of the tax year than has been allowed for in fortnightly payments to the primary carer parents;
- child support debts arising where a lump sum of child support is received and family payment is retrospectively reduced;
- income estimation debts, where wage income has fluctuated markedly; and
- child earnings debts, where children's earnings have increased to retrospectively reduce family payments.<sup>58</sup>

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55 *Submission 101*, pp.2-3; *Committee Hansard 29.4.03*, p.36 (NCSMC).

56 *Submission 101*, p.3 (NCSMC).

57 *Submission 164*, p.28 (LFAA).

58 *Submission 101*, p.3 (NCSMC).

10.92 NCSMC stated that the claiming systems for family tax are very complex and parents can easily find themselves in debt. Family tax can be claimed through the tax system or the welfare system and retrospectively through the tax system. A parent may receive payment in full during the year but have to repay a large amount if it is claimed at the end of the year by the other parent. NCSMC noted that 'there is no mechanism to protect them from that debt'.<sup>59</sup> St Vincent de Paul provided the following example of how a debt could arise and the impact on a family.

### **Debt creation and the impact on a sole-parent family – Melinda's story**

I want to talk about Melinda, who is a sole parent. She has four children. Her three eldest children were from one father, who failed to support her financially. However, the paternal grandmother minded the children while Melinda went to work. Unfortunately, the paternal grandmother died from cancer last year, leaving Melinda on her own with the children. Melinda met her second partner and he seemed to be very supportive and she had her fourth child with him. Things went along smoothly until the stresses became too great and the partner attempted suicide and was admitted to hospital. This left Melinda with her children. She went into private rental for which she paid \$330 a week for a house in a very poor condition, and she struggled along self supporting. After rent she was left with \$220 a week on which to live.

Things were going fairly well until there was an error made with her CRS forms. Some error was made, and in the second week in December, instead of receiving \$1,100 for her fortnightly payments, she received a payment of \$290. She went straight to the CRS office, and they said that they could not help. They could not correct the mistake, although they could see an error had been made. Melinda admitted that she probably filled the forms in incorrectly. She did have a bit of difficulty when it came to filling in forms. So there she was, left with four children, coming on to Christmas. She was already one week in arrears in her rent, and she had \$290 on which to live for a fortnight.

These four children had been taken from place to place. They had lived in several different houses. She had been on the housing department waiting list for nine years, but they deemed she was not eligible for emergency accommodation. After we assisted her for many weeks she moved on. This is a concern because the children keep changing schools and they keep changing accommodation. The last time I heard of Melinda, she had gone off to get a one-bedroom unit. She only took the baby with her when she signed off on the rental and she was going to move the four children into that accommodation. She was given an opportunity at Newstart to do some job training and they were going to mind the baby for her, but meanwhile she was going to have four children in a one-bedroom unit. I must say, in spite of her lifestyle, this girl did seem to have very good mothering skills and she really cared for her children.

*Committee Hansard 26.5.03, p.363 (North Leichhardt Conference, St Vincent de Paul)*

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### *Child Support Scheme*

10.93 The Child Support Scheme (CSS) was introduced in 1988 and provides a mechanism for ensuring non-resident parents contribute financially to the support of their children. The CSS collects payments by non-custodial parents for child support which is calculated according to a formula which reflects capacity to pay.

10.94 The average child support liability at June 2001 was \$3,259, with more than 40 per cent of payers having a liability of \$1,000 or less. This reflects the incomes on non-resident parents who had a median income of \$18,400 at June 2001. FaCS noted that Child Support payments 'are important to resident parents, who at June 2001 had a median income (as assessed by the CSA), excluding child support and family tax benefit, of just under \$9,500'.<sup>60</sup>

10.95 Harding and Szukalska estimated that the introduction of the child support scheme had lifted about 60,000 children out of poverty in 1997-98.<sup>61</sup> Research by the Australian Institute of Family Studies also indicated that since the CSS was introduced, the rate of child support payment 'has doubled from one-third to two-thirds in divorced populations with dependent children'. Other research supports these findings.<sup>62</sup>

10.96 Despite these improvements in the payment of child support, submissions argued that the scheme was not working efficiently to reduce the poverty of sole parent families. The NCSMC stated that the majority of single mothers do not receive regular cash payments of child support – about 42 per cent of sole parents receive child support.<sup>63</sup> ACOSS stated that 'another critical factor is child support. A substantial minority of Parenting Payment (single) recipients receive child support payments, which make a significant difference to their standards of living. Those who lack child support face a much higher risk of income poverty.'<sup>64</sup> Analysis of the Child Support Agency debt profile showed that many thousands of single mothers are in fact owed child support arrears, 'but without a collection protocol which links child support debts to a payment timeline, these parents and children cannot benefit from child support'.<sup>65</sup>

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60 *Submission* 165, p.40 (FaCS).

61 Harding A & Szukalska A, 'Social Policy Matters: The changing face of child poverty in Australia 1982 to 1997-98', Paper presented at the 7<sup>th</sup> Australian Institute of Family Studies Conference, 26 July 2000, p.26.

62 McClelland, p.35.

63 *Committee Hansard* 29.5.03, p.38 (NCSMC).

64 *Submission* 163, p.137 (ACOSS).

65 *Submission* 101, p.2 (NCSMC).

10.97 NCSMC argued that the approach adopted allows for 'total flexibility and negotiation of repayment schedules and debt collection'. There is also a lack of case managers for parents trying to recover child support debts. NCSMC concluded:

Without a collection protocol that runs to a time line, we are in a sense allowing those debts to spin out. The Ombudsman's report again quoted an average debt of about \$1,500 to single parents, on average. The uncollected debt is a huge issue. The move to self-collection has placed the most vulnerable families with domestic violence problems, literacy problems or health problems behind the eight ball in being able to access their child support payments.<sup>66</sup>

## **Recommendation 42**

**10.98 That the Child Support Agency review its debt collection procedures to ensure that debt repayment is made on a regular and timely basis so as to not disadvantage custodial parents and their children.**

10.99 NCSMC also provided the Committee with further examples of the difficulties with the child support system. At the moment, if child support is received spasmodically or as a part-payment, the custodial parent may find themselves with a debt to Centrelink. As family payments have been calculated on a given income base, a lump sum received for child support will mean that income has been understated and a debt is incurred. NCSMC stated that the debt must be repaid 'not because you have defrauded the system but because you have to cope with these patterns'. Custodial parents living in public housing may also find that they have a housing debt because of lump sum payment of child support.<sup>67</sup>

10.100 In the case where a non-custodial parent is to pay child support, Centrelink will deem that the full amount is being received by the custodial parent and reduce the family payment to reflect this. If the child support is not being received and the custodial parent declares this to Centrelink, and does not take any further action, such as reporting the non-payment to the Child Support Agency, then the custodial parent has failed an eligibility step for family payment. Family payment will only be paid at the minimum level.

10.101 NCSMC reported that often in such a case, the non-custodial parent will offer a lesser amount of child support. The custodial parent may accept this amount, particularly where there is a history of violence. The custodial parent will have parenting payment reduced as if they are receiving the full amount and also leave

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66 *Committee Hansard* 29.4.03, p.41 (NCSMC).

67 *Committee Hansard* 29.4.03, p.40 (NCSMC).

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themselves open to further harassment as they have in effect, misinformed Centrelink as to the correct level of their income.<sup>68</sup>

10.102 LFAA argued that while the child support scheme has produced some modest improvements in amounts paid to custodial parents in some cases, these improvements are less than claimed and the cost of the administration of the scheme is very high when compared to the putative benefits. The LFAA supported the principle that both parents have an obligation to help ensure that their children are cared for 'but the Government's insistence that all payments under the Scheme must be based on a pre-tax basis is at the root of a fundamental problem in the formula'. Non-custodial parents often resort to the dole just to enable them to survive, 'this is a very socially undesirable result, and the resulting net cost to the economy and the taxpayer is very high'.<sup>69</sup>

10.103 The LFAA also argued that for fathers maintaining or attempting to maintain contact with their children, there were virtually no programs and/or supports for reducing cost pressures on budgets and building capacity to be financially self sufficient. There are very high marginal rates of compulsory payments on their incomes, in some cases of 92 per cent and more.

10.104 The LFAA recommended changes to the child support system including reforming the CSS to levy child support at a suitable flat rate on after tax income. This would result in the in a 'truer and fairer assessment of actual capacity to pay'. In addition, the formulae should be tuned to ensure that children in first and second marriages are treated, as far as possible, absolutely equally.<sup>70</sup>

### ***Conclusion***

10.105 The position of sole parents improved substantially during the 1990s. The risk of poverty fell from 28 per cent in 1990 to 22 per cent in 2000, though the risk still remains high. This improvement has been largely attributed to government policies more favourable to sole parents and families generally including increases in income support payments and increases in allowances such as rent assistance. The introduction of the Child Support Scheme also helped to lift many children out of poverty. The employment patterns of sole parents also improved over the last decade.

10.106 However, sole parent families still remain the group in society most at risk of poverty. Those on long term income support find it difficult to make ends meet. This is often exacerbated by the additional costs of maintaining two households which is not recognised in government income support payments.

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68 *Committee Hansard* 29.4.03, p.45 (NCSMC).

69 *Submission* 164, pp.2,10-11 (LFAA).

70 *Submission* 164, p.27 (LFAA).

10.107 For those sole parents who seek employment, there are many barriers: lack of appropriate skills; restriction to seeking part-time and casual jobs to meet parenting responsibilities; child care expenses; and high marginal tax rates.

10.108 The Committee considers that there is a great need to implement policies to ensure that the decline in the risk of poverty for sole parent families continues.