

Additional comments by Labor and Greens Senators

Overview

While Labor and Greens Senators support the recommendation of the Chair's report on the Inquiry into the Child Support Legislation Amendment (Reform of the Child Support Scheme – New Formula and Other Measures) Bill 2006 (the Bill) that the Bill be passed, we consider that the report raises significant issues that should be addressed through amendments to the Bill.

The Bill represents an opportunity to implement fundamental change to the child support scheme.

Labor and Greens Senators do, however, hold serious concerns about the potential impact of the Bill on low income households. These concerns are particularly acute when considered alongside income cuts that many of these same households are already experiencing as a result of welfare changes implemented by the Government earlier this year.

A number of other issues were raised during the public hearings, including the need for some amendments proposed by the chair of the Ministerial Taskforce, Professor Parkinson. While these are noted in the Chair's report, it stopped short of actually recommending that they be pursued. Labor and the Greens believe that they should be.

Conduct of the Inquiry

Labor and Greens Senators are seriously concerned about the unacceptably short timeframe for this Inquiry. All witnesses appearing before the Committee were critical of the timeframe.¹

Labor and the Greens believe that it is unreasonable for the Government to expect witnesses to respond and express their views on such a complex and lengthy piece of legislation in such a short period of time.

While Labor and Greens Senators are mindful that there are major implementation issues with aspects of the Bill, these issues are not serious enough to have warranted the restricted timeframe imposed on the Committee by the Government.

¹ See for example Men's Rights Agency, Submission No. 8, page 1; National Council of Single Mothers and their Children, Submission No. 11, page 1; and Committee Hansard, Canberra, 4 October 2006, page 1.

Labor and the Greens are also concerned by the failure of the Child Support Agency (CSA) to either appear before the Inquiry or to lodge a submission. As the agency responsible for administering the new system, and the beneficiary of substantial additional funding under the Bill, Labor and the Greens consider that the CSA had a responsibility to give evidence to the Inquiry.

The need for child support reform

Fundamentally, Labor and the Greens accept the need to reform the child support scheme. The existing scheme has been in place since 1989, and most witnesses appearing before the Inquiry accepted that circumstances had changed to the point where change was needed.

Labor and the Greens' approach to child support reform are guided by a set of core principles. Central to these is a belief that the interests and wellbeing of the children must always come first. As far as possible, child support policy should serve to support the child in secure and economically sustainable and acceptable conditions.

Labor and Greens Senators take the view that policy should aim to ensure that both parents contribute to the wellbeing of the children and, as far as possible, maintain active and ongoing roles in their lives. Labor and the Greens believe that shared parenting is beneficial to both children and their parents and that there should be a fair balance between parents in meeting the costs of a child's upbringing.

To serve the interests of children and parents, the CSA needs to be competently administered and sufficiently resourced. Labor and the Greens advocate strong enforcement and compliance measures so that the obligations of parents are met.

Labor and Greens Senators note that the Parliament and the Government have undertaken a number of reviews of the scheme in recent years, culminating in the report of the Ministerial Taskforce on Child Support which was handed down in 2005.

Labor and the Greens consider that the work of the Taskforce provided a strong basis for reform, and notes that its recommendations form the basis of the Bill.

Financial impact of changes in the Bill

Labor and the Greens have previously expressed its concern about the financial impact of the Government's reform package on low income households.

These households are among the most financially disadvantaged group in our society. In their submission to the Inquiry, the National Council of Single Mothers and their Children (NCSMC) cite research that 46 per cent of sole parents with dependent children live on very low incomes, and that these families are at the highest risk of poverty of all family types.²

² National Council of Single Mothers and their Children, Submission No. 11, pages 4 and 5.

The Committee also heard evidence that single parents – predominantly women – now face further cuts in income on top of the reductions that occurred as a result of the welfare changes implemented by the Government on 1 July 2006.³

Labor and Greens Senators are concerned that the combined effect of the Government's welfare cuts and the new child support scheme could result in these families being pushed further into financial hardship, and in the worst case scenario, into poverty.

Witnesses from the Australian Institute of Family Studies (AIFS) indicated that no work had been done on modelling the combined impact of the welfare changes and the prospect of reduced child support payments on single parents.⁴ This is a significant concern for Labor and Greens Senators, given the already dire financial circumstances confronted by these families.

Labor and Greens Senators acknowledge the concerns of single mothers' groups that up to 60 per cent of resident parents will receive lower child support payments under the new formula for calculating these payments.⁵ We also note that Professor Parkinson does not disagree that a significant proportion of single parents will receive lower payments as a result of the Bill, claiming in additional information to the Committee that:

'My best guess is that the majority of assessments will go down. My estimate of 55 per cent is probably much closer to the mark than 60 per cent. It is nonetheless, just a very general estimate'.⁶

However, Labor and the Greens acknowledge other evidence from Professor Parkinson and AIFS that reduced income due to the formula itself may be offset by other aspects of the reform package and the 250 per cent real increase in family payments since the current formula commenced in 1989.⁷

However, calculations by NCSMC that take into account the drop in income due to reduce child support and the expected increase in family payments still result in an overall drop in income of between \$10 and \$20 per child week – and this is without the impact of welfare to work factored in.⁸

It is further noted that the 250 per cent real increase in family payments since 1989 could simply reflect that these payments came off a low base. The fact that a large

³ See for example Committee Hansard, Melbourne, 29 September 2006, page 22; and Committee Hansard, Canberra, 4 October 2006, pages 24-25.

⁴ Committee Hansard, Melbourne, 29 September 2006, page 4.

⁵ National Council of Single Mothers and their Children, Submission No. 11, page 3.

⁶ Professor Patrick Parkinson, Additional Information, 9 October 2006, page 1.

⁷ Committee Hansard, Melbourne, 29 September 2006, page 2; and Committee Hansard, Canberra, 4 October 2006, pages 33-35.

⁸ National Council of Single Mothers and their Children, Submission No. 11, page 6.

number of single parent families live below the poverty line still remains, and the question of how many more may be doing so as a result of these changes needs to be addressed by the Government.

Labor and the Greens are very concerned, however, that there is no publicly available modelling to estimate the impact of the new system on existing child support recipients and payers. The lack of analysis is doubly concerning given that the Government has made no provision to protect low income families who may lose income as a result of the Bill.

It is our understanding that the CSA will reassess all clients' payments under the new formula once the Bill is passed and before it comes into effect on 1 July 2008.⁹

The Department of Families, Community Services and Indigenous Affairs, as the agency with policy responsibility for the Bill, should produce modelling to quantify the impact on existing child support customers, and make provision to protect low income households who may lose income. Such protections are critical given the risk of poverty already confronted by these families.

Labor and Greens Senators are also concerned that only one parent under the welfare to work changes can be registered as a 'principal carer', and that this could result in further reduction in income for low income shared parenting.

While the Department did not produce any analysis of the impact of the Bill, it noted that work was in progress to establish monitoring and evaluation systems once the new formula is introduced.¹⁰ The Department indicated that it would work with other agencies to monitor the combined impact of the child support reforms and other recent policy changes, including the cuts to income support for single parents that occurred as part of the Government's welfare changes.

Labor and Greens Senators take the view that ongoing monitoring and evaluation is critical to the successful implementation of the new scheme. If the changes do lead to income reductions for low income families, it would undermine any other improvements that may occur in the operation of the overall child support scheme.

⁹ Committee Hansard, Canberra, 4 October 2006, pages 43-44.

¹⁰ Committee Hansard, Canberra, 4 October 2006, page 45.

Other issues*Unpaid care*

Labor and Greens Senators acknowledge the ongoing concern of single mothers' groups that the proposed new child support formula does not adequately recognise the costs of unpaid child care which is typically borne by single mothers.¹¹

Labor and the Greens note in particular the view of the NCSMC that unpaid care is accounted for, at least in part, by the different self support component for resident and non-resident parents under the existing child support formula.¹²

In evidence to the Inquiry, Professor Parkinson noted that the sliding scale effect of the new formula meant that if the resident parent has a very low income, then typically the non-resident parent will pay more child support. As the income of the resident parent rises, child support from the non-resident parent reduces.¹³

However, Labor and the Greens consider that Professor Parkinson's comments on this issue were in a sense contradictory. Elsewhere he argued that the primary concern of the formula was financial and that it was difficult, if not impossible, to effectively account for the value of unpaid care. It is unclear how the value unpaid care or forgone income was in fact incorporated into the formula.

The argument put forward by Professor Parkinson when further questioned on this issue was that the main way in which financial provision was made for unpaid care was in the way that the Family Court assigned assets on separation, effectively implying that this dealt with the issue and hence it was of lesser or no concern to child support calculation. However, this provision in effect only applies where there are significant assets to divide – meaning that this only benefits divided families who had significant assets prior to separation, thus impacting more unfairly on those on a low income who have few or no assets.

Labor and Greens Senators note that measuring the monetary value of unpaid care has always been problematic for policy makers. For this reason, Labor and the Greens commend the work undertaken in this important area by AIFS, which was briefly outlined in evidence to the Inquiry.¹⁴

¹¹ National Council of Single Mothers and their Children, Submission No. 11, pages 2-3; and Council of Single Mothers and their Children, Submission No. 19, page 3.

¹² Committee Hansard, Canberra, 4 October 2006, page 28.

¹³ Committee Hansard, Canberra, 4 October 2006, page 38.

¹⁴ Committee Hansard, Melbourne, 29 September 2006, pages 2-3.

Strengthened compliance regime and new minimum payments

Labor and the Greens welcome the long overdue enhancement of the Child Support Agency's compliance capabilities, which will better enable the agency to pursue non-resident parents who fail to provide any support for their children. The fact that only half of all non-resident parents meet their child support obligations in full and on time is a problem that has needed to be addressed for some time.

Labor and Greens Senators also welcome the introduction of a minimum payment for parents who deliberately minimise their income to avoid paying child support. However, Labor and the Greens recognise the concerns of Professor Parkinson that these provisions of the Bill may need to be strengthened to remove doubt.¹⁵

Concluding comments

Labor and Greens Senators support the Committee's recommendation that the Bill be passed, subject to amendments that address issues raised, and our concern that low income single parents are not worse off as a result of the Bill.

Labor and Greens Senators reiterate their serious reservations about the Government's decision to proceed with the Bill without proper provision to protect low income families who may lose income as a result of the changes, and the failure of the Government to quantify the impact of the Bill on existing child support recipients.

Labor and the Greens also believe that some significant issues are raised in the Committee's report and consider that these need to be addressed through amendments to the Bill.

Senator Claire Moore
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Labor Senator for Queensland

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Australian Greens Senator for
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Senator Carol Brown
Labor Senator for Tasmania

Senator Helen Polley
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¹⁵ Professor Patrick Parkinson, Submission No. 14, page 2.