

# NCSMC

National Council of Single Mothers and their Children Inc.

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The Secretary  
Senate Community Affairs Committee  
Parliament House  
CANBERRA ACT 2600  
Email: [community.affairs.sen@aph.gov.au](mailto:community.affairs.sen@aph.gov.au)

20 April 2007

Dear Secretary

Please find attached NCSMC's response to the **Families, Community Services and Indigenous Affairs Legislation Amendment (Child Support Reform Consolidation and Other Measures) Bill 2007**.

Thank you for the invitation to provide a response. NCSMC would be pleased to provide oral evidence in support of the submission.

Yours sincerely

**Dr Elspeth McInnes AM**  
Convenor NCSMC

**Ms Jac Taylor**  
Executive Officer NCSMC

The National Council of Single Mothers and their Children Incorporated was formed in 1973 to advocate for the rights and interests of single mothers and their children to the benefit of all sole parent families, including single father families.

NCSMC formed to focus on single mothers' interests at a time when women who were pregnant outside marriage were expected to give up their children for adoption by couple families and there was no income support for parents raising children alone. Today most single mothers are women who have separated from a partner. Issues of income support, child support, paid work, housing, parenting, child-care, family law, violence and abuse continue as concerns to the present day.

NCSMC has member organisations in states and territories around Australia, many of which also provide services and support to families after parental separation.

NCSMC aims to:

- Ensure that all children have a fair start in life;
- Recognise single mother families as a viable and positive family unit;
- Promote understanding of single mothers and their children in the community that they may live free from prejudice;
- To work for improvements in the social, economic and legal status of single mothers and their children.

**Families, Community Services and Indigenous Affairs Legislation Amendment (Child Support Reform Consolidation and Other Measures) Bill 2007**

NCSMC notes that the Bill addresses a number of child support measures arising from the Child Support Taskforce reforms. The Child Support Taskforce formula changes will create increased poverty for children aged 0 - 12 of separated parents in the households where they spend most of their

time. The “credit for care” discount of 24% applicable to non-resident parents who have contact between 14-34% will also result in increased poverty for children aged 0 – 17 in the households where they primarily reside. These impacts are calculated in the following case studies.

### **Case Study 1:**

Robyn and Nicholas have two children both aged under 12:

- Robyn’s income is \$26,883
- Nicholas’ income is \$36,883
- Subtracting the self support amount for each, the child support combined income is \$30,000 (Robyn 33.3%; Nicholas 66.7%)
- If Robyn has 100% care, under the new formula Nicholas’ child support liability will be \$4,769 per annum, compared to a liability of \$6,183 under the old formula
- Robyn would receive increased FTB due to reduced child support equating to \$708 per annum
- Overall Robyn’s household where the children live is \$706 per annum (\$13.60 per week) worse off
- Nicholas saves \$1,414 per annum (\$27 per week)

If Nicholas has contact with the children between 14-34%, he receives a 24% reduction on his proportion of the calculated costs of the children:

- Based on their respective earnings, Nicholas is responsible for 66.7% and Robyn’s is 33.3% of these costs
- However, applying the 24% reduction reduces his liability to 42.7% of the costs and in dollars terms this becomes \$3,052 per annum
- Robyn’s receives an increase in FTB due to reduced child support of \$1,562, resulting in an overall loss of income to the household where the children primarily reside of \$1,569 per annum (\$30 per week)
- Nicholas saves \$3,131 per annum (\$60 per week)
- This assumes FTB had been split under the current system – had it not the financial situation for Robyn and her children would be even more severe

### **Case Study 2:**

Rachel and Ralph have two children both aged under 12:

- Rachel's income is \$36,883
- Ralph's income is \$96,883
- The child support income becomes \$100,000 ( $\$36,883 - \$16,883 + \$96,883 - \$16,883$ )
- Therefore Rachel has 20% of calculated costs of children, and Ralph 80%
- Ralph has contact between 14-34% and receives the 24% reduction, making his child support liability \$11,923 per annum (\$229 per week)
- This compares to a child support liability of \$22,383 per annum (\$430 per week) under the current formula
- With FTB increased as a result of reduced child support Robyn's household is \$9,617 per annum (\$185 per week) worse off
- He saves \$10,460 per annum (\$200 per week)

### **Case Study 3:**

From the Ministerial Taskforce Report (p. 252), Meng and Tom have three children under 12 and Tom has 25% care:

- Meng's income is \$27,000
- Tom's income is \$51,500
- Under the current system Tom would pay Meng \$11,793 per annum
- Under the new system Tom will pay Meng \$6,344
- However, Meng's FTB will increase from \$5,417 to \$11,308 as it will no longer be split with Tom
- Overall, Meng will be \$442 per annum better off but Tom will save \$1,887 per annum

### **Case Study 4**

Clare and Steven have two children both aged under 12, and Clare has 100% care.

- Clare's adjusted taxable income is \$13,000
- Steven's adjusted taxable income is \$80,000

- Subtracting the self-support amount for each, the combined Child Support Income is \$63,117
- The total Costs of the Children under the new formula is calculated to be \$14,396
- As Clare has 100% care and her income is less than the self-support amount, Steven's child support liability is \$14,396 per annum (\$277 per week)
- This compares to a liability of \$17,646 (\$339 per week) under the current formula
- Therefore under the new system Clare's household will be \$3,250 per annum (\$62.50 per week) worse off
- As Clare will only be eligible for base rate FTB she will not be able to recoup any of this loss through increased FTB
- Steven will save \$3,250 per annum (\$62.50 per week)
- If, however, Steven seeks contact with the children for at least 14% or more time, the 24% "credit for care" will further reduce his liability to \$10,941 per annum (\$210.40 per week)
- So should Steven seek contact due to the incentive structure built into the new formula, Clare's Child Support will be further reduced, making Clare's household \$6,705 per annum (\$129 per week) worse off than under the current formula

#### **Case Study 5:**

Sally and Sam have two children both aged under 12, Sally has 100% care

- Sally's adjusted taxable income is \$55,000
- Sam's adjusted taxable income is \$80,000
- The combined Child Support Income is \$101,234 and therefore the calculated costs of the children are \$21,514
- After apportioning each parent's percentage of care, Sam's child support liability is \$13,414 per annum (\$258 per week)
- This compares to what he would be assessed as paying under the current formula of \$16,114 (\$310 per week)

- As Sally will only be eligible for base rate FTB she will not recoup any of this loss through increased payments of FTB
- If, however, Sam seeks contact with the children for at least 14% or more time, his percentage of the costs of children is reduced by 24% and becomes 38.35%
- Therefore his Child Support liability is further reduced from \$13,414 per annum to \$8,250 per annum (\$159 per week)
- So should Sam seek contact due to the incentive structure built into the new formula his Child Support liability will be further reduced, making Sally's household \$7,864 per annum (\$151 per week) worse off than under the current formula

Disclaimer: These figures have been calculated utilising the new formula as detailed in the Ministerial Task Force's *In the Best Interests of Children*, the Family Rate Estimator and the Child Support Agency Rate Estimator as at March 2007.

Reducing the living circumstances of dependent children in favour of the adult parent with whom they spend least time will result in reduced opportunities for those children. The legislation changes which reduce the financial support of children of separated parents are against children's best interests. The formula assumes that parents will apportion costs proportionately; however there is no process to address the division of costs of the child between parents. The claim that young children cost less can only be argued by excluding the opportunity and replacement costs of unpaid family care and long day child care – costs which are more often directly borne by women. The child support changes overwhelmingly benefit men and are in men's interests, at the expense of women and children.

**NCSMC recommends independent research into the financial impacts of the child support changes on the living standards of children of separated parents in the household where they spend most of their time**

**and a government commitment to compensating children for the losses inflicted on them by the legislation.**

The Bill also changes the terminology pertaining to children and introduces the concept of a 'regular care' child to refer to a child who does not qualify for FTB under the changes to the child support system. This change in definition highlights the disjuncture between definitions used for income support and the intent and direction of the family law and child support changes. Family law changes now support child-splitting and the child support changes provide financial benefits to men who see their children regularly, yet for income support purposes only one parent can be a Principal Carer of a child. This means that the half-time children in the household of the person who is not deemed under Social Security law to be the Principal Carer will not attract the protections available to Principal Carers in the income support system. The impact of this disjuncture in definitions is most acute for young children whose parents are both dependent on income support and are thus likely to be highly disadvantaged.

**NCSMC recommends that the income support definition of Principal Carer be aligned with family law changes to reflect the injunction to consider 'maximum time with each parent.'**

NCSMC notes the proposed changes to the Baby Bonus. NCSMC endorses access to support with the payment for under 18 year olds who give birth. NCSMC considers that the provision to make payments in 13 fortnightly instalments may not be universally appropriate and could lead to adverse outcomes for mother and child in some circumstances. Lump sum funds may be needed to furnish a home, buy a car or pay moving costs to avoid an outcome where there is no bed to sleep in, or the family is waiting during winter at bus stops to get to a doctor.

**NCSMC recommends that the format of the payment for under 18 year old mothers be able to be varied on the recommendation of a qualified social worker. Where lump sum funds are needed for major purchases**

**these could be paid by direct credit to ensure that the money was directed to the agreed purpose.**



Appendix 1

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22 September 2006

Dear Secretary

Please find attached NCSMC's response to the **Child Support Legislation Amendment (Reform of the Child Support Scheme – New Formula and Other Measures) Bill 2006**.

Thank you for the invitation to provide a response. NCSMC would be pleased to provide oral evidence in support of the submission. NCSMC notes that one week has been allowed to respond to the invitation, which seriously limits the organisation's available time to draft a response.

Yours sincerely

**Dr Elspeth McInnes AM**  
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### **The New Child Support Formula**

NCSMC **opposes** the new formula on the basis that:

1. The formula calculation of the costs of children omits the actual and opportunity costs of unpaid care provision. The actual costs of unpaid care provision include the time forgoing earnings in order to provide the care, while opportunity costs include lost access to training, professional development and career advancement from paid work.

The formula is focused only on calculating monetary expenditure on children and thus misses the costs of non-cash inputs.

2. Because women undertake the majority of unpaid care work (Craig 2003), the failure to acknowledge the costs of unpaid care inputs embeds a structural gender bias against women within the formula and the provision of unpaid care work is further socially devalued.
3. Most single parent households will be financially worse off as a result of the formula changes. An estimated 60% of primary carer households will be worse off as a result of the formula changes (The Australian 29/9/05 'New Deal for Lone Dads'). This translates to 60% of children of separated parents being financially worse off in their primary place of residence.

The falls in child support income, impacting mainly on households with infants and primary school age children, would be in addition to income reductions for sole parents under the "Welfare to Work" policy changes from July 1 2006. The changes have resulted in sole parents' incomes dropping from \$30 - \$100 per week (ACOSS, 2006) as they move from Parenting Payment to Newstart Allowance, provided the parents are granted 'principal carer' status. Where care is shared (46-54%) their income support payment may be further reduced if they are not designated 'principal carer'. A parent with half-time care of a child who is not designated 'principal carer' cannot claim Parenting Payment Single, and can only claim the lower Newstart 'with child' payment, and is not eligible for the Pensioner Concession Card, or telephone and pharmaceutical allowances, and is subject to activity testing without the protections available to the parent who has 'principal carer' status. Resident parents in receipt of lump sum payments brought about through property settlements or payment of child support arrears will also be subject to the liquid assets waiting periods introduced under "Welfare to Work", further reducing the financial resources available to the household where children primarily reside.

The reductions in income in the households where children spend most or half of their time, countermand the primary goal of the child support system, which was to reduce poverty for children of separated parents

The combination of the child support policy changes and Welfare to Work income cuts will further increase the incidence and severity of child poverty in single parent households.

4. The biggest financial gains of the formula changes are skewed to the wealthiest non-resident parents – towards the household in which the children do not largely reside, and which does not carry responsibility for their ongoing costs. The highest level of income earners received the earliest and most substantial benefits under the child support changes. ABS data continues to show that single parents with primary care of dependent children are at the highest risk of poverty of all family types (ABS 2004).

The policy argument the Parliament is being asked to accept in the legislation is that reducing financial support for children will help to reduce child poverty. The argument appears to be nonsense. Such nonsense is however earnestly supported by child support payers in and out of Parliament, and is publicly and politically more palatable than the alternative reality that the payers are getting a pay rise at their children's expense.

5. Children aged 0-12 of separated parents will receive less financial support in the household in which they are primarily resident. The argument that costs are lower for younger children only holds true as long as the costs of non-cash inputs of unpaid care work are ignored. The higher expenditures on teenagers are accompanied by a reduced direct load of unpaid care, enabling parents to more easily increase hours of paid work.
6. The formula assumes that parents will apportion costs proportionately; however there is no process to address the division of costs of the child between parents. For example, a child who has been halved across households and who needs expensive medication may not receive or

have access to the medication in both households unless one parent supplies it in both or each of the parents agrees to share the costs. With half a child each, parents may seek to force the other to pay for the child's needs. This leaves children very vulnerable.

7. The 24% reduction in child support for one night per week of care is disproportionate to the time and resources of care provision and will further impoverish children in the household where they spend most of their time. There is no necessary reduction in the primary carer's costs when the child spends time with the contact parent, particularly for short periods. The child support 'saved' by the payer having the child for one night may far exceed actual expenditure on the child during the visit, thereby systematically short-changing the child from their assessed child support. For example a payer parent with a child support liability of \$100 per week can 'save' \$24 per week by seeing the child for one night, but bear no health, clothing, education or recreation costs of the child. The costs of providing a place to sleep and two home-cooked meals for the child are unlikely to equal or exceed \$24 per week, yet the household where the child's ongoing costs ARE being met, has less to spend on the child.

Changes to the *Family Law Act* that came into effect on 1.7.06 in regards to parenting plans raise risks to the capacity for accurate and correct record keeping and assessment of the percentage of care shared between parents.

8. The change to equal exempt earned income levels between parents fails to recognise the costs of unpaid care provision and the number of dependents being supported by the earnings. A non-resident parent with one night's care of a child per week is able to devote most of their earnings and time to their own needs. In contrast, the parent with primary care of the child has to structure their earning opportunities to match children's care needs, whilst earnings have to support both the adult and the child. The existing difference in exempt income in the formula recognises the different level of demand on incomes in primary care and non-resident parent households, whereas the proposed new

exempt earned income change ignores this. Because mothers continue to provide the majority of unpaid care, the provision is gender biased against women.

#### **Case Study Based on 2005 Payment levels:**

- One six year old, mum on PPS, dad earns \$50,000 pa.
- With no contact, the new formula cuts his child support by just over \$20 pw and after FTB is restored, the children's household income is cut by around \$10 pw.
- With one night contact, he gains around \$50 pw and the child loses just over \$20 pw.

#### **Treatment of Second Jobs & Overtime to Help with Re-establishment Costs**

NCSMC opposes the 3 year exclusion of income from second jobs and overtime because it is gender biased towards men, who are usually the parent with the highest earning capacity and the least responsibility for direct provision of unpaid care. **Both parties have re-establishment costs, but the parent with majority care of young children will have a relatively reduced availability to undertake extra earning activity.** The parent with the greater availability to increase earnings will benefit financially, while the parent with greater responsibility for unpaid care provision, and consequently reduced availability to increase earnings, will be further financially penalised by the changes.

Income and housing research (AHURI 2002) has identified that 46% of all sole parents with dependent children live on very low incomes. According to ABS 2001 Census data, an estimated 28% live in public rental, 34% in private rental and 32% are home owners or purchasers, compared to 67% of the general population who are home owners or purchasers. It is therefore wrong to justify the measure on any universalised argument that mothers have retained the family home in the separation.

Not all separating couples are home-owners, and a significant proportion of separating homebuyers are forced to sell and divide their property, forcing both to re-house. Mothers fleeing domestic violence with their children comprise 50% of clients of shelter services and around one in two families seeking emergency accommodation are turned away. Mothers fleeing domestic violence are often unable to safely pursue any action to obtain their property interests (Sheehan and Smyth 2000). Given that both parties have re-establishment costs arising from the separation, it is inequitable to further financially advantage the parent who is benefiting from the unpaid care provision of the primary carer parent. It also provides further opportunity for non-resident parents to minimise their child support liability by repackaging their income and will be very complex to administer.

### **Other Provisions**

NCSMC opposes changes which will enable more payer parents to claim a reduced capacity to earn an income and thus be able to reduce the child support assessed as payable.

NCSMC supports the changes to provide access to an independent review of child support decisions via the Social Security Appeals Tribunal.

NCSMC supports the reversal of the 2000 family tax payment policy changes to restore a 35% care threshold to the apportionment of family payments between parents. The 2000 changes which split payments above a 10% threshold have unfairly and inequitably reduced family payments to children of separated parents in their primary place of residence.

NCSMC supports the restriction of application of the FTB Part A Maintenance Income Test to FTB payments for child support children only. It is a shameful and inequitable policy failure that children who live with other children who attract child support should be subjected to reduced family payments because they are co-resident with child support children.

NCSMC endorses improved access to court enforcement of child support debts.

NCSMC endorses increases to the minimum payment and the application of a per case minimum.

NCSMC endorses the minimum \$20 per child per week payment where there is evidence of income minimization.

### **References:**

ACOSS (2006) *Welfare to Work: Effects and Solutions*, Policy Paper, [www.acoss.org.au](http://www.acoss.org.au)

Australian Bureau of Statistics, (2004) *Family Characteristics Australia*, Catalogue Number 4442.0, Canberra, AGPS.

Australian Housing and Urban Research Institute (2002) Sole Parents, social well-being, housing location and housing assistance', *AHURI Research and Policy Bulletin*, Issue 8, June.

Craig, L. (2003) 'Do Australians Share Parenting? Time Diary Evidence on fathers' and mothers' time with children' *8th AIFS Conference* February, Melbourne.

Sheehan, G., and Smyth, B., (2000) 'Spousal Violence and Post-Separation Financial Outcomes', *Australian Journal of Family Law*, 14 (2): 102-118.