

**SUBMISSION TO THE AUSTRALIAN SENATE'S COMMUNITY AFFAIRS  
COMMITTEE REGARDING THE PROPOSED FAMILIES, COMMUNITY SERVICES  
AND INDIGENOUS AFFAIRS LEGISLATION AMENDMENT (CHILD SUPPORT  
REFORM CONSOLIDATION AND OTHER MEASURES) BILL 2007**

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The proposed amendments to the Child Support legislation covering overseas cases is another example of the government's misguided and shortsighted attitude and approach to compliance.

Based on Kay's J assessment of the preparedness of countries to ratify international treaties in his Honor's paper "The Hague Convention – Order or Chaos" in regards to child abduction, lawyer Amanda Humphreys in her paper "Child Support regulation and enforcement in an international context" concludes:

*...the workability of the international child support scheme depends largely upon the political and religious perspective of each nation towards "social responsibility" in the context of non-custodial parents' financial responsibilities to their children.*

Current formal agreements or treaties may exist with four English speaking countries and a further 50 or so countries may be parties (some half hearted) to the Hague Convention. Even taking into account other undertakings such the United Nations Convention on the Recovery Abroad of Maintenance (UNCRAM) the fact remains over half the remaining nations are non-reciprocating jurisdictions - some emerging economic powerhouses short on skilled labour.

When looking at figures for overseas cases all the amendments will do is cast a very small net over a very large pond leaving many routes of escape whilst only catching the very small fish.

This time last year the Child Support Agency claimed it was collecting child support from some 25,000 payers about half the potential payers it believed involved overseas cases. In its media release on 2 April 2007 the Agency reported it collected \$25.4m from 33,000 international cases for the year. Of that amount \$14m was for overseas children where the paying parent was in Australia and \$10.5m was from overseas parents on behalf of children in Australia.

This amounts to \$770 per case and suggests these collections came from the bottom end of income earners amongst payers. The majority of taxpayer provided benefits the custodial parents received would hardly be affected if at all meaning the 150 public servants now employed to pursue such cases could not be cost effective.

Interestingly neither the number of overseas nor domestic payers was stated so the effectiveness of collection from overseas payers cannot be readily quantified. However it must be expected that collection from domestic payers in international cases must be more successful than overseas payers hence bringing into question just how effective collection from the latter payers is and can become.

The Australian Emigration Study (2002) found almost 42% of Australian expatriates surveyed held a post-graduate degree (compared to 7% of the resident Australian population) with almost 89% employed as professionals and on a full time basis. The Australian Chamber of Commerce and Industry study "Why do one million Australians Live overseas" also cited another study that showed that a given skills cohort of Australians working in the United States in 2003 were on just under \$A110,000 per annum double that of those who stayed home (\$A49,000).

The ACCI study cited the income tax regime as a major reason for Australians not wanting to return home. When looking at the attached 2006/2007 net income flowchart illustrating net income after tax and child support the permanent exodus of skilled non-custodial parents is

readily explained. The figures suggest that these parents must be savvy enough to find the numerous havens to avoid the clutches of the Child Support Agency and give credence to one source claiming the number of potential payers overseas is more like 150,000 with 40,000 in one unnamed jurisdiction alone.

Whatever the number there must be a significant impact on both the capacity restrained economy and the public purse let alone the human cost of children left behind to grow up with one parent missing.

Add in the continuing and increasingly draconian assessment and compliance methods being used by the Child Support Agency the rate of increase of those payers leaving the country can only be expected to continue to accelerate exacerbating the situation.

Whilst the country has a shortfall of some 400,000 skilled workers and labour not necessarily skilled being imported (look at the supermarkets and service stations in Sydney), child support policy and its implementation is either encouraging the skilled to leave or those left behind to further inflate the proportion of payers who are or are becoming unemployed.

Currently the number of seasonally adjusted unemployed persons number is 493,100 (ABS March 2007), an unemployment rate of 4.5% not seen for decades and continuing to drop.

Yet based on the assumption domestic case payers whose annual child support liability for the 2005 -2006 year was \$260 or less, are either unemployed or substantially unemployed, their proportion of payers has been continuously increasing from some 36% in 1998-1999 to 43% in 2005 - 2006 (i.e. 337,610 payers) completely contrary to continuous improvements in economic conditions and employment over the same period.

Whilst one arm of government is struggling to restrain wages growth because of chronic labour shortages to avoid bringing a golden era of economic activity to an end another appears to be blindly exacerbating the situation.

At the very least Treasury's Participation Modelling Project established in 2005 should expand its published charter from only initially investigating the likely labour market participation impacts of child support policy changes to considering the economic and budgetary impacts of the current Child Support regime in general and its administration in particular.

Smyth and Weston in their Australian Institute of Family Studies 2005 Report found that most non resident fathers believed that the Scheme was not working well (62%) and was unfair (74%) and resident mothers were evenly divided on the Scheme's functioning and fairness. Legal practitioners are now commenting on an overly aggressive Child Support Agency so the views of separated parents must be hardening despite the recent reforms.

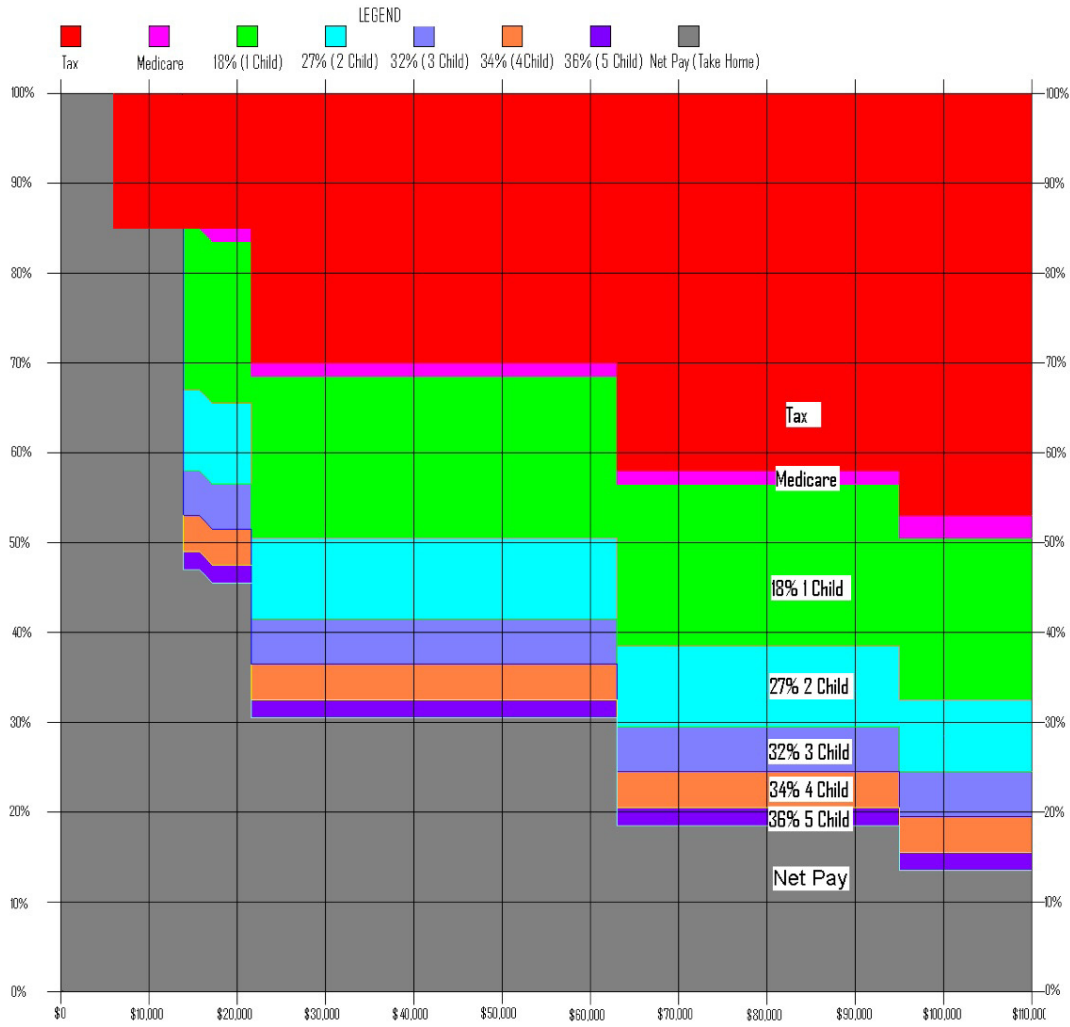
Maybe it is the time to take seriously those disproportionate number of complaints to members of Parliament (and those complaints coming from within Parliament), the Commonwealth Ombudsman and, as has been reported by others, those rapidly accumulating appeals to the Social Security Appeals Tribunal and address all issues with a Commission of Inquiry to help find a new sensible direction in child support policy and implementation.

It might prove to in the best interest of the child as well as the country.

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## 2006/2007 net income flowchart

Shows your net income after tax and child support



Courtesy: Ross Mitchell (jhrm)