

Council of Single Mothers and their Children

Committee Secretary
Community Affairs Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra, ACT 2600

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21st October 2008

Dear Committee,

**Re: Families, Housing, Community Services and Indigenous Affairs and Other Legislation Amendment
(Further 2008 Budget and Other Measures) Bill 2008**

Please find enclosed a submission to the inquiry regarding the Families, Housing, Community Services and Indigenous Affairs and Other Legislation Amendment (Further 2008 Budget and Other Measures) Bill 2008 from the Council of Single Mothers and their Children, Victoria.

The Council of Single Mothers and their Children (Vic) is a community-based organisation that has provided support, information and financial aid to single mothers and their families in Victoria for nearly 40 years. Our telephone information and support service handles an average of 20 calls a day, and we have a membership of approximately 2,000 single mothers and 120 organisations.

The Council of Single Mothers and their Children (CSMC), along with sister organisations in other states and the National Council of Single Mothers and their Children (NCSMC), is well recognised as a source of expert advice on issues of relevance to single mothers. Our expertise is grounded in the concerns expressed to us by single mothers calling our telephone contact line, putting us in an ideal position to respond to this review on behalf of these callers. Individuals, academic institutions, community support/welfare organisations, government departments and members of parliament are some of the bodies seeking our expertise.

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This submission has been informed by the experiences of the single mothers who contact CSMC, in particular about their many difficulties in relation to the Child Support system, and the impact this has on their children.

If you would like further information relating to this submission or the work of CSMC, please contact us on **(03) 9654 0327**.

Yours sincerely

Jane Stanley
Coordinator

**Families, Housing, Community Services and Indigenous Affairs and Other Legislation Amendment
(Further 2008 Budget and Other Measures) Bill 2008**

This submission is concerned with the impact of the changes to Child Support legislation. As noted by the Committee Secretariat, the reasons for referral of the Bill, and the issues for consideration by the Community Affairs Committee are:

The effect of changes to Child Support Legislation. The new Child Support legislation has been in operation since 1 July 2008. The Bill identifies a number of areas to address anomalies. ***The changes to child support legislation were significant and have affected many parents.*** (our emphasis).

The Council of Single Mothers and their Children, Victoria, has had numerous contacts from single mothers about the way these changes have affected them - who have been seriously disadvantaged by the changes to Child Support legislation. This submission focuses on the experiences of mothers and children under the new system.

Problems with the Child Support system are many, but include reduced incomes for already impoverished families; avoidance of payment of child support liabilities; cumbersome administrative processes to support collection; and most seriously, the continued exposure of children and women to violence, abuse and intimidation.

1. Reduction of Income

Single mother headed families are one of the most disadvantaged groups in Australia¹. The change to the way the Child Support formula is calculated has only exacerbated this situation. Research conducted by the Department of Families, Housing, Community Services and Indigenous Affairs² demonstrated that under the combined changes to the Child Support formula and the changes to Family Tax Benefit, half of all payees will be worse off financially.

CSMC hears daily from mothers who are already struggling financially, particularly with soaring prices for essentials. These cuts in payments only exacerbate their circumstances. Often overlooked in discussions about child support reductions is that this is money to contribute to the raising of children. Any cuts to

¹ Australian Bureau of Statistics (2007) *Australian Social Trends, One Parent Families*, Catalogue 4102.0

² Department of Families, Housing, Community Services and Indigenous Affairs (August 2008) *Report on the Population Impact of the New Child Support Formula*

child support payments (or lack of collection, discussed below), impacts directly on children.

“Our payments have gone down by \$900 a month, even though he earns well over \$200,000. I’ve had to cut back on the kids activities like sport and school excursions as I can’t afford them any more”.

“I can’t afford the petrol to ferry kids to their sporting commitments. They won’t be able to go to camp, or keep doing their music lessons.” (cut of \$561 in Child Support assessment)

“I’ve already had to sell the car, and I’m really struggling to meet my home repayments, so I might have to sell the house too. Then where will we go?” (cut of \$170 per week in Child Support)

The new Child Support formula introduced in July 2008 has in its underlying reasoning some fundamental flaws that contribute to this.

a) Calculation of the costs of children

The costs of children calculated for the formula were based on the costs of raising children in a single, couple household. Clearly it is more expensive to raise children across two households, yet this was not factored in to the formula. The starting base for child support calculations was therefore too low to begin with.

b) Lack of acknowledgement of unpaid care

In the vast majority of families in Australia today there is still a distinct difference in the financial circumstances of parents. In most families, separated or couples, one parent (almost always the mother), takes on greater responsibility for the raising of children, either not working, or working part time. In doing this, opportunities for higher wages, career progression and superannuation are put aside to place the well being of children to the fore.

Under the old formula, the payee parent had a higher level of disregarded income to acknowledge some of these sacrifices and the more limited opportunities for paid work when taking responsibility for raising children. This also had the effect of acknowledging the unpaid caring work the payee parent undertakes. Under the new formula, disregarded income levels are the same for both the payee and payer parent, completely disregarding this vital, yet unacknowledged unpaid care work.

In addition, only financial contributions to raising a child are considered in the formula, with the benefits forgone (higher salary, career progression, superannuation) by the caring parent through

the provision of unpaid child care not included in any way.

c) Family Tax Benefit intersection with Child Support

Prior to the introduction of the new Child Support formula, the argument was put forward that payee parents would be compensated for reductions in Child Support by being able to retain all Family Tax Benefit if they have more than 65% care of children. While for some women this has been the case, for many others their Child Support payments have reduced significantly, with only small increases to their Family Tax Benefit. These small increases have not come close to making up the short fall in income.

The Maintenance Income Test (MIT) is another area where payee parents are disadvantaged. The MIT results in Family Tax Benefit being withdrawn at a rate of 50 cents for each dollar of Child Support received (above a low free area). The benefit to children of any child support received is therefore correspondingly reduced.

CSMC recommends that:

- The Child Support formula reflects the true cost of raising children
- Unpaid care be acknowledged by raising the exempt income level for the primary caring parent.
- The Maintenance Income Test be reviewed to ensure that children actually benefit from child support received.

2. Percentage of Care

The connection between level of care and child support calculations has led to significant problems for payee parents. For many mothers, the payer parent does not actually meet the care arrangements agreed in parenting plans or other agreements. While causing distress to children, it also places mothers in the position of providing care for children, but not receiving the child support to do so.

Women and children who have been subject to violence or abuse are particularly vulnerable to being intimidated into making agreements that are then not upheld. Research has demonstrated that the withholding or non payment of child support is a commonly used tactic to continue to harass and intimidate ex-partners³.

³ Branigan, L (2004) *His money or Our Money: Financial Abuse of Women in Intimate Partner Relationships*, Coburg, Coburg-Brunswick Community Legal and Financial Counselling Centre.

Mothers contacting the Child Support Agency about these matters receive little assistance to address these issues, or are expected to personally initiate and drive cumbersome, often lengthy processes themselves.

CSMC recommends that:

- processes for determining that the actual (as opposed to the nominal) percentage of care is accurate are made more accessible; and
- CSA processes be mindful of impact of ongoing violence and intimidation and the role it can play in changes to care arrangements

3. Collection of Child Support

Despite a welcome increase in resources directed to enforcing the collection of Child Support liabilities, many children still do not receive the payments they are entitled to. Women still regularly report not receiving child support payments for periods of time up to years; and of payers under reporting their incomes through various mechanisms such as failing to lodge tax returns, self employment, family trusts and the like. Despite children missing out on payments to support their care, women describe that responsibility falls predominantly on them to provide supporting evidence, and to drive the process.

CSMC recommends that:

- Enforcement action be taken in a more timely manner
- Where payments are not being made on time and in full, that assessed amounts of Child Support be paid to payees, and the Child Support Agency have responsibility for pursuing payments.