

Council of Single Mothers & their Children

Mr Elton Humphery
Committee Secretary
Senate Community Affairs Committee
Parliament House
CANBERRA ACT 2600
Email: community.affairs.sen@aph.gov.au

26 September 2006

Dear Mr Humphery

Re: Child Support Legislation Amendment (Reform of the Child Support Scheme – New Formula and Other Measures) Bill 2006

Please find attached the Council of Single Mothers and their Children (Vic) submission to the inquiry on this Bill.

Thankyou for the opportunity to provide a response to this inquiry. It is unfortunate that so little time has been allowed to consider such complex legislation. Indeed, CSMC only received the invitation after the due date for submissions, and this extremely short timeline to respond has seriously limited our ability to comprehensively respond to such an important issue.

CSMC would welcome the opportunity to provide oral evidence in support of this submission.

Yours sincerely,

Ms Jane Stanley
Coordinator

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**Submission to:
Senate Community Affairs Committee**

**Inquiry into the Child Support Legislation Amendment (Reform
of the Child Support Scheme – New Formula and Other
Measures) Bill 2006**

About the Council of Single Mothers and their Children (Vic)

The Council of Single Mothers and their Children (Vic) (CSMC) is a community-based organisation that has provided support, information and financial aid to single mothers and their families in Victoria for over 30 years. Our telephone information and support service handles an average of 15 calls a day, and we have a membership of over 1,450 single mothers and 120 organisations.

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 inquiry 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.

CSMC fully endorses the submission made to this inquiry by our national body, the National Council of Single Mothers and their Children (NCSMC).

CSMC Response to the Bill

In the second reading speech, Minister Brough stated that “The new scheme will be fairer for both parents, and more focused on the needs and costs of children.” CSMC has serious concerns that the Bill will not be fairer for all parents, and will not result in an improvement in the economic conditions for children or serve their best interests.

These concerns include:

The New Child Support Formula

- **Increased hardship for children**

Single parent headed households are among the most disadvantaged families in Australia. It has been estimated that at 55% - 60% of child support payments will decrease (Patrick Parkinson "Discounts for Dads" Herald Sun 15/6/05) as a result of the formula change. This will result in 55 – 60% of children of separated parents being worse off in their primary place of residence.

These reductions in child support income will be in addition to the income reductions for sole parents under the "Welfare to Work" changes introduced on 1 July 2006. The moving of sole parents from Parenting Payment Single to Newstart Allowance has been calculated to cut incomes by \$30 - \$100 per week (ACOSS, 2006).

The cuts to the income of primary carer households can only mean that children will be disadvantaged. CSMC hears evidence regularly that children of single parents already miss out on school excursions and activities, are unable to access health and dental care, and are not able to participate in recreational activities as they cannot afford them. These can only be exacerbated as income is further reduced.

- **Division of expenses relating to children**

The formula assumes that parents will allocate costs associated with their children in proportion to the amount of child support each parent is deemed to contribute. However, there is no process in the Bill to ensure that this happens or to determine how it happens. Nor is there evidence that these costs will be more evenly shared under this proposed formula. We know that the patterns of care that existed before parents separate most often continue after separation.

Predominantly this has involved one parent taking primary responsibility for the welfare of the children – providing child care, organising and paying for school and social activities, health and dental care, provision of medication etc. After separation the primary carer parent continues to meet these responsibilities, often with little or no financial contribution from the other parent. The proposed formula will place even greater strain on this parent to meet these responsibilities, with no corresponding requirement that the other parent actually contribute to these costs.

- **The formula does not include a recognition or calculation of the costs of unpaid care.**

The proposed formula is focused only on calculating monetary expenditure on children, and does not include the substantial amounts of unpaid non-cash contributions. These include the earnings forgone by one parent to provide care for their children, along with opportunity costs including lost access to training, professional development and career advancement from paid work.

The costs of child care – either paid or an amount imputed for unpaid care and the associated opportunity costs of providing this care – have been specifically excluded from the calculations of the costs of children. As a cost largely born by the primary caring parent, this exclusion will be to their detriment.

The only expenses recognised in the proposed formula are those that are cash based, devaluing the role of unpaid care provided. As this is predominately provided by women, the formula in effect embeds a structural bias against women.

- **Lowering the income cap**

The reduction of the cap for high income non-resident parents will provide big gains to these parents – at the expense of their children.

This will undermine the principle of “continuity of expenditure”, designed to minimise disruption to children, and allowing them to live at a standard similar (as far as possible) after separation as before separation.

- **Treatment of Second Jobs and Overtime Payments**

The proposed formula specifically exempts for three years income from second jobs and overtime to help with the costs of reestablishment. This exemption is based on an erroneous assumption that in all cases it is the non-resident parent that is facing increased costs of establishing a household. In reality many resident parents are having to establish themselves after separation – women escaping domestic violence; homeowners having to sell and divide property; resident parents having to re-establish themselves and their family. In reality both parties have re-establishment costs.

There is no acknowledgement in the proposed formula that resident parents may also face re-establishment costs, while at the same time having fewer opportunities to undertake extra earning activities. The parent providing the greatest proportion of unpaid care will be further penalised by the proposed changes.

Other Provisions

- CSMC endorses increases to the minimum payment and the application of a per case minimum
- CSMC endorses the minimum \$20 per child per week payment where there is evidence of income minimisation
- CSMC welcomes the expansion of the role of the Social Security Appeals Tribunal to review child support decisions. However, in

order to be able to properly assess decisions, the Tribunal should have the power to subpoena documents such as tax and business records where it is suspected that income minimisation has occurred.

References:

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