

***Budget Submission
2019***

**The National Council
& of Single Mothers
Their Children Inc.**



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Glossary of Terms

<i>Department of Human Services/DHS</i>	<i>Responsible for administering Australia's child support scheme</i>
<i>Child Support</i>	<i>The financial amount</i>
<i>Child Support Scheme</i>	<i>CSS</i>
<i>Child Support Agency</i>	<i>DHS-CS or CSA</i>
<i>No-Resident, No-Custodial</i>	<i>Parent who does not provide the primary care</i>
<i>Primary Care</i>	<i>Parent/guardian who provides more than 50% of the care</i>
<i>Payer/Paying parent</i>	<i>Parent who transfers money for the financial support of their child/children</i>
<i>Payee/receiving parent</i>	<i>Parent who receives transfers of money for the financial support of their child/children</i>
<i>Administrative assessment.</i>	<i>The process to determine child support by Child Support Agency</i>
<i>Child Support Collect Agreement</i>	<i>CSA will set the payment amount, collect payments from the paying parent, and transfer them to the receiving parent</i>
<i>Private Agreement</i>	<i>CSA confirms the amount and both parents agree to the process of transferring payments. This can occur if applied by the receiving parent, or jointly</i>
<i>Child Support Formula.</i>	<i>The formula used to determine child support</i>
<i>Family Tax Payments FTB A FTB B</i>	<i>A two-part payment that helps with the cost of raising children. Must meet eligible requirements.</i>
<i>Parenting Payment Single</i>	<i>Payment for single parents whose youngest child is under 8 years. Some exemptions apply but not for families affected by Domestic Violence.</i>
<i>Crisis Payment</i>	<i>Income support payment for a range of reasons including</i> <ul style="list-style-type: none"> • <i>severe financial hardship</i> • <i>leaving a violent relationship</i>
<i>Self-Support Amount</i>	<i>The stated amount which is not included in child support calculations.</i>
<i>Maintenance Income Test (MIT)</i>	<i>Level of child support received that will reduce FTB Part A</i>

Recommendations

Long-term Welfare Reform

Anti-Child Poverty strategy

1. Institute national targets to ensure that all Australian children are protected against poverty. A progressive strategy would ensure that Australian families can seek and stay safe and that they can meet the demands of parenting including sole-parenting and they there is a support for them to engage with paid work, when they have the capacity and there is an opportunity.

Short-term Welfare Reform (including the crisis payment)

Integrity in Social Security:

2. Restore access to the Parenting Payment Single for families until their youngest child turn 16 years. The current policy of denying access to Parenting Payment Single when the youngest child turns eight has had dire consequences. The harm can be quantified, as demonstrated by 40% of children raised in a sole parent household living in poverty.
3. Immediately implement a mutual obligation exemption for women affected by domestic violence so that they can retain the equivalent of Parenting Payment Single regardless of the age of their youngest child. On 20th August 2018, Andrew Willkie MP brought in a Private Member Bill to review the effects of denying access to the parenting payment. The review would illuminate that Newstart is so low that it forces women to return to the place of abuse and to the hands of their abuser.
4. Trial a State Guaranteed Child Support Payment, as recommended by the 2015 Parliamentary Inquiry into the Child Support Program. The stated debt of 1.5 billion indicates that the current child support system is not fulfilling its role, to detriment of the Australian children.
5. Establish an Independent Social Security Commission to assess social welfare payments. Federal Independent Member for Indi, Cathy McGowan, introduced the Social Security Commission Bill 2018 on Monday 20th August 2018 and we seek that the government ensures that this bill becomes legislation.

Value unpaid care

6. Reverse the 'equalising of the self-support amount' in the Child Support Policy (2008). To acknowledge the value and contribution of unpaid care as well as the cost of providing unpaid care which is met by the primary carer. This is now absent from the child-support scheme.

Short-term Taxation Reform

7. Australians with an enforceable child support liability must lodge an annual tax return as per prescribed dates. Currently there are over 200,000 child support payers who breach this requirement, committing both tax and child support avoidance or minimisation.
8. Child support debt to be recorded on the person's credit rating. This would support the principles of the Banking Royal Commission, ensuring that lending is undertaken in a climate of full disclosure, as well as a compliance incentive for paying child support.

Poverty has a woman`s face.

Research undertaken by Right Lane Consultancy and presented at the Women`s financial Security Forum outlined the systemic disadvantages which threaten women`s financial security. It was noted that one or more `bumps in the road` can be enough to push them into financial hardship. The research identified four key triggers.



Sole parent families have borne the brunt of harsh cuts in successive budgets. The findings of the ACOSS Poverty Report (2016) is disturbing, but for NCMSC it was predictable. The report found that child poverty is on the rise with 731,300 children under the age of 15, which equates to 17.4% of all Australian children, living below the poverty line.

Our greatest alarm is for sole parent families as the report found that 40% of children raised in a sole parent family are living in poverty. The clear majority (82%) of one parent families with children or dependent students were headed by a single mother and again these families will be over-represented on the `loss side` of the ledger. It is important to note that child

poverty has increased despite 25 years of economic growth, thus indicating a failure in our policy settings.

Research by the Australian National University Centre for Social Research and Methods has examined the cumulative impacts of cuts made since 2005. The main policy of the welfare-to-work program reforms was to move single parents from the Parenting Payment to the Newstart Allowance. This change meant a lower payment rate and a lower rate of indexation where the youngest child was 8 years of age or older.

- For a family with no private income and two children over the age of 8, policy changes since 2005 have left them around \$5,750 a year worse off or about 17.2% by 2018.
- A single parent who works three days per week on the minimum wage will be \$6,391 worse off or 14.8% after the move from Parenting Payment to Newstart.

40% of children raised in a sole parent family are living in poverty.

Overall, due to lower government benefits and lower payment indexation, many single parent families are considerably worse off as a direct result of policy change enacted by various Governments since 2005. The modelling used a rental amount of \$250 per week (a very conservative amount). The task for women to enter paid work and to grind a way out of poverty is severely hampered due to Government decisions. It is parents in employment that are the most financially disadvantaged by these 'reforms' as revealed by the ANU modelling. Financial returns from paid work are much less on Newstart due to lower thresholds; for example, a sole parent with three children can earn and retain \$118.00 per week on Parenting Payment Single but when on Newstart it reduces to \$52 per week.

Real Solutions – It can be done

The National Council Single Mothers and their Children Inc. were in attendance and partnered with the ACOSS at the launch of Anti-Poverty Week in 2017. It was an auspicious event as it was the 30th anniversary since the then Prime Minister Bob Hawke made his infamous pledge that 'no Australian child would live in poverty'. This was a nation-shaping statement that no other government has eclipsed. The statement still resonates and is renowned, but what is less known is the achievements that accompanied this statement, demonstrating that real solutions and outcomes can be achieved.

Kids have given up or can't have a family pet

The measures announced by Hawke in 1987 immediately cut the significant number of children in poverty, estimated to be between 33 and 36 per cent. Over a longer timeframe between 1984 and 1994, child poverty was deemed to have fallen 50 per cent among non-working single parents and 80 per cent among non-working couples with children. The measures that were introduced by Hawke included a family allowance supplement which was linked to wage growth. Furthermore, a uniform rent assistance for social security recipients with children was instituted along with a new child disability allowance and the establishment of the Child Support Agency. At that time, the child support agency was based in the

Australian Tax Office and for the first time used the tax system to collect child support payments from non-custodial parents.

In the three years after Hawke's speech, government spending per child in low income families jumped 61 per cent in real terms for children aged 0 to 12 years and 124 per cent for children aged 13 to 15 years. To ensure the benefits were taken up, the Hawke Government pioneered data matching and launched a public advertising campaign. An outstanding measure of the success of the pledge in 1986 was through the take-up of the family income supplement payment; initially only 16 per cent of the family income supplement payments due were paid, however by 1990 it was 58 per cent. The take-up rate grew to 80 per cent by 1999.

Sadly, many of these measures have been reduced and more disturbing is that it has taken strong collective efforts to mitigate some of the harshest elements of proposed reductions. Clearly, through vision and resolve child poverty can be reduced and we can draw upon inspiration across the Tasman to the New Zealand government.

Prime Minister Jacinda Ardern says her Government will aim to make a "historic dent" in child poverty over the next 10 years with stated targets.

The targets are:

- Reduce the proportion of children in low income households (before housing costs) from roughly 15 per cent of all children to 5 percent. This reduces the number by more than half from 160,000 to 60,000.
- Reduce the proportion of children in low income households (after housing costs) from approximately 20 per cent to 10 per cent. This is a reduction of 90,000 children from 210,000 now to 120,000.
- Reduce the proportion of children in material hardship from between 13 and 15 per cent now to 7 per cent this reduces the number of children in this group from 150,000 to 80,000.

The government stated that it would also announce three-year targets at a later date.

Domestic and Family Violence

We are starting to learn that a woman cannot 'just leave'. Women speak about feeling 'trapped', they fear that they won't be believed or that her experience will be trivialised. Women speak about concerns that they won't get the help and support that they so desperately need. After many years of verbal abuse, they may start to believe the words and that, somehow, they are responsible or worthless. Women talk about their sense of isolation due to the violence and the image others may hold of the abuser, that he is 'a really good guy' or that he holds a 'position of influence' within their community. Furthermore, it is possible that she will not have any money, or have limited access to money, and/or she will feel such paralysing fear she will be unable to leave or even be able to see a way to be safe. Statistics tell us that separation is the most dangerous time for women and children fleeing violence and that separation in itself is not a guarantee of safety. The NSW Coroner Michael Barnes reported that:

“Separation, in fact, can be the most dangerous time, because it seems to be based on a need for the perpetrator to control his intimate partner. That can go quite quickly from controlling, jealous behaviour to fatal violence.”

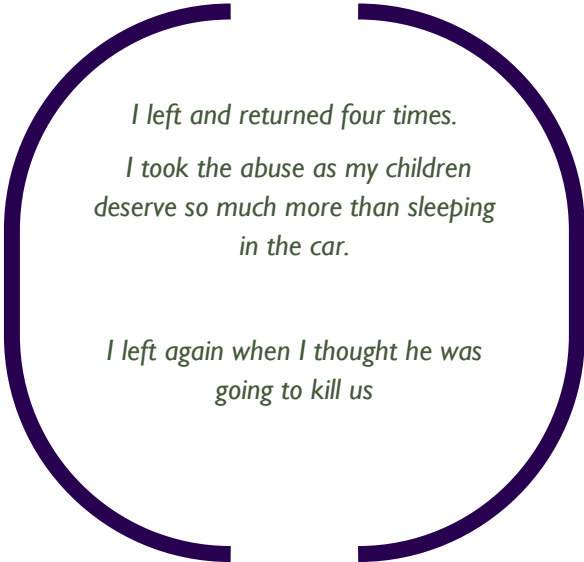
We work with women who endure hardship which can span a lifetime because of the effect of domestic violence. The harsh reality of what lies ahead for these women is struggling on Newstart to keep a roof over their head and food on the table, let alone cover expenses for clothing and education that all children require. NCSMC is in awe of every mum who has spoken, reached Out and ‘done her darnedest’ to protect herself and her children, often against the collective power of a naïve culture and a failed system. Even with such incredible resolve, the reality of poverty will impact greatly on her and her children.

As a country, we fail these women on so many levels. If her youngest child is eight years or older her income support will be the Newstart Allowance, an unemployment payment, which is below the poverty line and has not been increased for over 21 years. It is beyond comprehension that any women and their children, let alone those escaping violence, are expected to survive and provide for themselves and their children on this payment. Background evidence to support the consultations on the fourth action plan (2019 - 22) to reduce violence against women and their children stated,

“It’s not enough to simply focus on prevention and crisis response. Family and domestic violence can have a range of significant negative consequences for women’s long-term recovery and ability to sustain social and economic participation”

Supporting evidence found that women who reported that their household would had difficulty “suddenly raising \$2000 within a week for something important” had experienced violence from a partner at a rate of 5.8% compared to 2.1% of women who reported that this amount could be raised¹.

Women affected by family and domestic violence do not have an exemption, despite a range of exemptions granted to Single Principal Carers who are foster caring, non-parent relative caring under a court order, home schooling, distance education or have a large family. The [exemptions](#) also enable Single Principal Carers to retain the same amount as the Single



¹ Department of Social Services, 24th of August 2018, PP 21 (Draft) *National plan to reduce violence against women and their children - Fourth Action Plan (2019 to 22) Background and Evidence*, the Australian Government.

Parenting Payment, which is currently \$762.40 per fortnight. These exemptions are sensible and most welcomed. Excluded from exemption, Single Parenting Carers affected by family and domestic violence languish on Newstart which is \$590.40 per fortnight. In May 2017, NCMSC wrote a submission to the Parliamentary Inquiry into a better family law system to support and protect those affected by family violence. This engagement included a national online survey known as Domestic Violence and Economic Security. The survey found that 22% of respondents had returned to their place of abuse and to the hands of their abuser because they did not have access to adequate financial support. Every woman and child deserve to live free from violence and with dignity. We must do more than to force women to make the unthinkable choice of accepting abuse or not been able to provide the basics for their children.

Economic Resilience & Child Support

The current child support system in Australia is enabling the non-payment, part-payment and late payment of owed child support, leaving many single mother households struggling to cover the full or majority of the costs of raising their children. Inarguably, these costs should reside with both parents, as they would if the family were together.

- Child Support Collect: Department of Human Services - Child Support determines the child support amount using the statement formula that requires the income of the payee and payer, the ages of children and the percent of care. It is the role of the DHS to transfer the payment between parents for the benefit of the care and wellbeing of the children.
- Private Agreement: Department of Human Services Child Support determined the amount of child support using the statement formula, but the transfer is completed privately between parents. Child Support Agency actively encourage the Private Agreement, which now exceeds child support collect (52% Private Agreement versus 48% Child Support Collect) [See page 67 of DHS Annual Report 2015-2016](#). NCSMC always advises women to use child support collect as there are too many hazards associated with Private Agreement.

Department of Human Services in their submission to the House of Representatives Standing Committee on Social Policy and Legal Affairs stated that 37% of cases (271,775 cases) of Child Support transferred was in the 0 to \$500 per annum bracket. It further reported that the Department was responsible for collection in 138,359 of these cases (Child Support Collect), while 133,416 are Private Collect. Of the 138,359 Child Support collect cases which means that it is the responsibility of Department of Human Services - Child Support to transfer money, 60,839 cases (46%) are in arrears.

Debt as at August 2014:

- \$977 million of the total debt is associated with domestic cases;
- \$388.6 million is associated with international cases;
- \$178.1 million of debt is less than 1 year old;

- \$608.9 million is between 1 year and 5 years old;
- \$375.2 million is between 5 years and 10 years old; and
- \$203.3 million is older than 10 years.

It is important to note that commentators do not accept the stated debt figures as correct and describe the statistics as 'air brushed'. The Department only records and report on the debts that arise from a Child Support Collect agreement which is 48% of their cases and not debt from Private Collect (52%), as the Department assumes that payments within Private Collect are transferred in full and on time.

State Guaranteed Payment: The Child Support Agency should ensure that the enforceable child support liability is paid to each payee whilst the Agency collects the payments from the payer. This payment would then occur on time and in full irrespective of the payer's approach. This would immediately remove the financial impact of non-payment, late or sporadic payments upon the resident mother and their children. Furthermore, it would sever the use of child support as an avenue to practice abusive and controlling behaviour (as the payment is guaranteed). We note that mothers who have left violent men state that high levels of unpaid child support can be an intended outcome from abusive and controlling ex-partners. This policy was a recommendation from the Inquiry and can be found in the Committees report, 'From Conflict to Cooperation – Inquiry into the Child Support Program'. The Committee recommends that the Australian Government:

- examine the social and economic impacts in other jurisdictions of a limited child support guarantee system, conduct modelling to assess if there is capacity to apply such a limited guarantee to the Australian context, and then consider the feasibility of conducting a trial of a limited guarantee for either vulnerable families or for a random sample of Child Support Program clients. [Recommendation 25](#) (pg14)

Non-lodgement of tax returns: Australians with an enforceable child support liability must lodge an annual tax return as per prescribed dates or use the DHS portal to confirm non-requirement to lodge. The lodgement of a tax return should not be negotiable and have no legal recourse. The perennial issue of not having an accurate and timely assessment of income corrodes the overall effectiveness of the Child Support Scheme. We note the default assessment (2/3rd MATWE or the last known lodgement) acknowledges these concerns as it attempts to address this matter but is inadequate, and the practice erodes the efficacy of the scheme. Furthermore, a debt to the government, mostly from payees (receiving mothers) can be an outcome of reconciling a 'self-assessment' against the actual income. This matter featured in the '**From Conflict to Cooperation – Inquiry into the Child Support Program**' report:

The Committee recommends the Australian Government amend current policy to ensure that the penalties applicable to the non-lodgement or late lodgement of tax returns are enforced for all clients of the Child Support Program. The penalty should allow for defences where the individual has a reasonable excuse for non-lodgement, such as circumstances outside their control. Consideration should also be given to the annual indexation of the penalty. A working group comprising representatives of the Australian Taxation Office, the Department of Social

Services and Department of Human Services should be established to recommend the size of the penalty. Recommendation 7 (page 5)

The Australian Government stated that they 'agree in-principle with this recommendation'.

The Government will investigate the best ways to ensure the lodgement of tax returns as part of the support of the Child Support Program. This will include an examination of the way in which the current penalty regime is enforced and how it could be improved, including the regularity of enforcement, and the nature and size of the penalty. The Government will also examine other measures aside from penalties that may encourage compliance.

NCSMC attended the national plan to reduce violence against women and their children consultations in Adelaide on 17 September 2018. There is a nexus between the postseparation violence abuse and or control and the flaws in the current child support scheme. It is manifested within sporadic, partial and/or non-payment of child-support. The current child support scheme will allow a payer to hide their actual income through accepting a 'provisional income' which can span years and not enforcing the lodging of an annual tax return.