

A ministerial taskforce recently proposed a major overhaul of the Child Support Scheme.

While government is currently considering the Taskforce's recommendations, there is little doubt that this review has acted as a stimulus for the collection and integration of a raft of new data to help improve and "modernise" the Scheme.

**BRUCE SMYTH** was one of the members of the Taskforce. Following on from his earlier commentary on child support policy in Australia in *Family Matters* (no. 67), here he reflects on the work of the Taskforce in the push towards evidence-based policy, in the context of a much larger family law reform agenda.

## Modernising the Child Support Scheme

Some nine months after it was established, the Ministerial Taskforce on Child Support headed by Professor Patrick Parkinson recently handed down its final report: *In the best interests of children: Reforming the Child Support Scheme* (Commonwealth of Australia 2005). The sheer size of its output (see both volumes of the final report) attests to the complexity of its work, and to an attempt by the Taskforce, Reference Group, and Taskforce Secretariat to tackle the myriad of thorny issues that have dogged the Scheme since its inception. (See accompanying boxed inset describing the history, scope and membership of the Taskforce and Reference Group.)

It is no secret that those affected by the Scheme have generally been unhappy with it. Indeed a recent study of attitudes to child support by the Australian Institute of Family Studies (Smyth and Weston 2005) found that almost two-thirds of separated fathers believed that the Scheme was not working well, while three-quarters thought it was unfair. Half of the separated mothers surveyed also thought the Scheme was not working well and was unfair. It is unclear to what extent these perceptions are largely guided by self- or group-interest or born out of a concern for children's wellbeing.

Non-resident fathers have typically been the most vocal in their complaints about the Scheme: many believe that they are paying too much child support relative to the "true cost" of raising a child, that they should not have to pay if they cannot see their children, that they should be able to control how child support is spent so that it is not spousal support, and that the income of their former wives' new partners should count (especially where the new partner is wealthy). Resident mothers, on the other hand, want to see child support paid (even if fathers move overseas), arrears collected, and income minimisation by former partners reduced (Smyth and Weston 2005). Children's views about child support transfers remain largely unknown in Australia (see, for example, Parkinson, Cashmore and Single 2005).

At the core of the Taskforce's review is a fundamental philosophical shift from a "one-home, one carer" model to a "two-home, two family/carer" model. This shift reflects mounting social science evidence that the interests of children post-divorce are generally best served when children can maintain ongoing and frequent contact with both parents who can cooperate. The Scheme was originally built in a world where

### Ministerial Taskforce on Child Support

On the 14 June 2005 the Minister for Family and Community Services, Senator the Hon Kay Patterson, released the report of the Ministerial Taskforce on Child Support, *In the Best Interests of Children? Reforming the Child Support Scheme*.

The review of the Child Support Scheme was initiated in response to the report of the House of Representatives Committee on Family and Community Affairs on child custody arrangements in the event of family separation (*Every Picture Tells a Story*, December 2003) which, among other things, recommended that a Ministerial Taskforce be established to examine the child support formula. On the 29 July 2004, the Prime Minister announced that the Government was taking steps to establish a Taskforce to undertake a comprehensive re-evaluation of the Scheme. On the 16 August 2004, the former Minister for Children and Youth Affairs, Larry Anthony, released the Terms of Reference for the Taskforce and Reference Group and that these groups would be chaired by Professor Patrick Parkinson from the University of Sydney.

Members of the Taskforce have expertise in one or more areas, including social and economic policy, family law, family policy, and research on the cost of children. Membership of the Reference Group was drawn from advocacy groups representing child support payers and payees, and also included professionals who have experience in issues concerning parenting after separation, relationship mediation and counselling, and social policy. (Membership of the Taskforce and Reference Group is listed on p. 61).

The Terms of Reference required the Taskforce, supported by the Reference Group, to:

1. Provide advice around the short-term recommendations of the Committee along the lines of those set out in the [Every Picture Tells a Story] Report (Recommendation 25) that relate to:
  - increasing the minimum child support liability;
  - lowering the "cap" on the assessed income of parents;
  - changing the link between the child support payments and the time children spend with each parent; and
  - the treatment of any overtime income and income from a second job.

## Some reflections

fathers were typically the sole breadwinners in families while mothers were the primary carers of children. But with rapid social and economic change over the past decade or so in Australia – whereby both parents are increasingly in the labour force, relationship breakdown is pervasive, and fathers are looking to play a greater role in their children's lives – the shift from the old “sole (maternal) custody” model towards greater sharing of the care of children makes sense – so long, of course, as children's needs, interests and wishes are heard and protected. This shift is evident in many of the Taskforce's 30 recommendations.

Three fundamental proposed changes to the current scheme stand out: that the incomes of both parents count; that children's ages count (with higher costs allocated for teenage children); and that the financial costs of contact to non-resident parents count – in the form of a reduction in payments to help with the provision of infrastructure for regular overnight stays by children. (The first and third of these proposals are good examples of the move towards the two-home model of post-separation parenting.)

Other important proposed changes include: treating children from first and second families more equally; improving the fit between child support and other forms of government income support (particularly Family Tax Benefit); and the provision of increased resources to the Child Support Agency to improve compliance.

Taken together, the vast mosaic of recommendations – if accepted – will result in a dramatically different system for the calculation of child support in Australia.

Many of the Taskforce's proposals are intrinsically complex and controversial. This is because child support policy necessarily involves a set of interlinking conundrums that are tied to balancing the complex and competing needs of children, resident parents, non-resident parents, and the State (Blumberg 1999). Matters affecting children's wellbeing in particular typically arouse strong feelings in all of us.

There is a perception in some quarters that the Taskforce was set up to appease father's rights groups in Australia, and that its work and data are biased against mothers and children (see, for example, Karvelas and Maiden 2005; Ross 2005). However, policy analysts have long been mindful that the Scheme has needed to be modernised through the input of contemporary data. Indeed, a decade ago, the Joint Select Committee on Certain Family Law Issues (JSC 1994: 517) recommended “the impact of the Child Support Scheme be regularly evaluated”, and that a comprehensive appraisal of the Scheme be commissioned urgently. The Committee stated that it was simply unable to make a “proper assessment” of the impact of the Scheme and related policy because of a “lack of detailed research in this crucial area” (p. 517).

Without a big-picture review on which to guide reform, and a strong empirical base on which to monitor and refine the Scheme, child support policy over the past 15 years appears to have evolved largely by way of a series of piecemeal tweaks in response to policy pressures (such as lowering the resident parent's disregarded income threshold to improve the perceived fairness of the Scheme, and allowing the apportionment of Family Tax Benefit to each ►

2. Evaluate the existing formula percentages and associated exempt and disregarded incomes, having regard to the findings of the Report and the available or commissioned research including:

- data on the costs of children in separated households at different income levels, including the costs for both parents to maintain significant and meaningful contact with their children;
- the costs for both parents of re-establishing homes for their children and themselves after separation; and
- advise on what research program is necessary to provide an ongoing basis for monitoring the child support formula.

3. Consider how the Child support Scheme can play a role in encouraging couples to reach agreement about parenting arrangements.

4. Consider how Family Relationship Centres may contribute to the understanding of and compliance with the Child Support Scheme.

Chaired by Professor Patrick Parkinson, the Taskforce has proposed a fundamental change to the Child Support

Scheme. The essential feature of the proposed new Scheme is that the costs of children are first worked out based upon the parents' combined income, with those costs then distributed between the mother and the father in accordance with their respective shares of that combined income and levels of contact.

Key conclusions of the Taskforce were:

- the “continuity of expenditure” principle – that children should enjoy the benefit of a similar proportion of the income of each parent to that which they would have enjoyed if their parents lived together – should remain because it is the fairest basis on which to calculate child support;
- government contributions towards the costs of children (in the form of Family Tax Benefit A) in an intact family should be taken into account when calculating the net costs of children;
- costs of children, in percentage terms, fall with combined parental income;
- costs of children increase with the age of the child; and
- each additional child adds a smaller additional cost (economies of scale). ►

parent according to their shared level of care to help recognise the financial costs of contact to non-resident parents).

As the Australian Government works through an ambitious package of proposed reforms more generally – most notably, the Family Law Amendment (Shared Parental Responsibility) Bill 2005, and the roll-out of 65 Family Relationship Centres – child support policy reform completes the family law reform trilogy: caring for children as a shared responsibility post-separation, conflict minimisation, and cash transfers in support of caring for children. The sweeping nature of this reform package, a response to the *Every Picture Tells a Story* report (Commonwealth of Australia 2003), presents a real opportunity for a more “integrated family law system that is flexible and builds individual and community capacity” – as was also called for some time ago by the Pathways Group (Commonwealth of Australia 2001: v). In pursuit of joined-up policy and service delivery, the power of the Taskforce’s work lies in its attempt to harmonise the tangled web of policies relating to child support, income support, and income tax – which is why it is critical that the Taskforce’s proposals be evaluated as a whole package and not in isolation from each other.

Irrespective of whether the Taskforce’s recommendations are accepted, its review has acted as a catalyst for the collection and bringing together of the best available evidence in Australia on the economics of post-separation parenting. These data warrant brief mention because they are the key pillars on which the Taskforce proposals have been built. Good policy requires good data, and these data have begun to emerge in recent years with the introduction of several new powerful datasets (such as the Household, Income, and Labour Dynamics in Australia survey).

The centrepiece of the Taskforce’s work program is a set of new estimates on the costs of raising children. Existing estimates have been in use by the Scheme and the Family Court for some time, largely because little else has been

available. The Taskforce used three different methods and sources of data to estimate the costs of children: data from the Household Expenditure Survey (which approximate actual patterns of expenditure on children); data from the Social Policy Research Centre’s Budget Standards study (which approximate how much needs to be spent by parents to give their children a particular standard of living); and a meta-analytic review of existing Australian studies on the costs of children, benchmarked against international studies.

The “income shares” model (in which both parents’ incomes count) proposed by the Taskforce builds on these new estimates: both parents’ combined income is used to work out the costs of children; these costs are then distributed between each parent according to their respective contribution to this notionally pooled income, the ages of children, and the level of care provided by each parent. The non-resident parent pays his or her share as child support; the resident parent contributes her or his share in the day-to-day care of children – with both parents able to keep a component of their income to support themselves (Commonwealth of Australia 2005: 5).

A sophisticated micro-simulation model developed by the National Centre for Social and Economic Modelling (NATSEM) enabled the Taskforce’s cost of children estimates to be incorporated into the “income shares” calculations of child support liability, and enabled the modelling of different options, and the distributional analysis of the impact of different models and parameters to be conducted. The development of this tool is a significant achievement, and largely possible because of the enormous leaps in computing technology made in recent years, and NATSEM’s considerable expertise in family economics.

New research into public attitudes to child support also formed an integral part of the Taskforce’s work program (see Smyth and Weston elsewhere in this issue for a summary).

Features of the proposed Scheme are that:

- the self-support amount should be increased and should be the same for both parents;
- children from first and second families are treated as equally as possible; and
- that greater account should be taken of regular contact and shared contact in determining child support.

The report of the Taskforce contains 30 recommendations. The first, which describes the detail of the proposed new child support formula, is divided into 31 sub-sections to emphasise that these recommendations constitute a package of interdependent recommendations to be taken together.

The Taskforce considered available research and overseas experience, and it commissioned several pieces of research to fill gaps in the evidence base when developing its recommendations. The recommendations of the Taskforce are based upon the best evidence available to it about the costs of children.

The Australian Institute of Family Studies played a significant role in the review of the Child Support Scheme conducted by the Ministerial Taskforce, with three of its members having close connections with the Institute. The Deputy Chair, *David Stanton*, is a former Director of the Institute; *Matthew Gray* was employed as a Principal Research Fellow at the Institute from November 2000 to May 2004 and is currently Deputy Director, Research (since July

2005); and *Bruce Smyth* is a Research Fellow at the Institute. In addition, the Institute was commissioned by the Taskforce to conduct a survey of community attitudes towards child support (a summary of this work by Smyth and Weston appears on pp. 48-57 of this edition of *Family Matters*).

The Australian Government is currently considering its response to the report of the Taskforce.

The Taskforce report and associated research papers are available electronically from <http://www.facs.gov.au/internet/facsinternet.nsf/family/childsupportreport.htm>

Summary Report and Recommendations  
Full Report

Volume 2: Research papers underpinning the Taskforce’s approach comprise:

- A snapshot of contemporary attitudes to child support (Australian Institute of Family Studies)
- The estimated costs of children in Australian families in 2005-2006 (NATSEM)
- Updated costs of children using Australian budget standards (Dr Paul Henman)
- Costs of children and equivalence scales (Dr Matthew Gray)
- A comparison of selected overseas child support schemes (Taskforce Secretariat)

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Child support is not just about money. It raises many fundamental issues about social values and “fairness”. Policy should thus have some basis in contemporary views of parental responsibility and fairness. These new attitudinal data helped inform the Taskforce’s review by showing which principles in the current Scheme had broad support, and which areas elicited perceptions of a lack of fairness. A perceived lack of fairness by those affected by the child support system, and/or outside of this system, might suggest a need for policy reform or to make the rationale behind policy more transparent and well known.

Behavioural data relating to different patterns of post-separation parenting were also fed into the review. These data are instructive in providing a contemporary snapshot of parent–child contact patterns operating in Australia, along with how these patterns may be linked with child support payments. Given the close but complex links between child support and parent–child contact (Thompson 1994), any attempt to “modernise” the Scheme needs a clear picture of the level and type of contact that children are having with each parent after separation. Behavioural data are also instructive in relation to contemporary patterns of post-separation family reformation. Multiple family situations continue to present one of the greatest challenges to child support policy in Australia and elsewhere. While policy necessarily seeks to be simple, the reality is that families are becoming increasingly complex – and policy needs to reflect this.

Should the recommendations be accepted, the test will be to what extent those charged with administering and providing information about the Scheme will be able to explain its new workings to those who seek the detail of how it operates for their particular circumstances and why. In addition, moving to an “income shares” model requires the collection of resident parents’ income by the Child Support Agency. The Agency’s burgeoning caseload, and

the vicissitudes of collecting information about income, provide some operational challenges.

The Australian Government is currently considering the Taskforce’s recommendations. While there is likely to be ongoing lively debate about how best to improve the Scheme, it seems that everyone agrees on at least one thing: that any change must be in the best interests of children.

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## Membership of the Taskforce

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**Professor Ann Harding**, Director of the National Centre for Social and Economic Modelling (NATSEM).

**Dr Paul Henman**, Lecturer in the School of Social Work and Applied Human Sciences, University of Queensland.

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## Membership of the Taskforce Reference Group

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**Bettina Arndt**, Social commentator and member of the Family Law Pathways Taskforce.

**Michael Green QC**, Author of the book *Fathers After Divorce*.

**Dr Elspeth McInnes**, Lecturer in the School of Education, University of South Australia, Deputy President of ACOSS and Co-executive Officer of the National Council of Single Mothers and their Children.

**Tony Miller**, Founder and Director of Dads in Distress.

**Jocelyn Newman AC**, Former Senator for Tasmania and former Minister for Family and Community Services.

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