



RESEARCH - COMMUNITY ISSUES

AUGUST 2002

## COST OF CHILD SUPPORT

Following an initial review of the Child Support Scheme - September 2000 based on Child Support - Facts and Figures 1998/1999, we have reviewed and now analysed the statistics and commentary contained in the latest CSA 2000/2001 annual publication and provide an updated report as follows:

### KEY STATISTICS 30 JUNE 2001 – utilised for calculation purposes

No. of CSA payers <sup>Ref 1</sup>	582,316 (91% male)
No. of children subject to Child Support <sup>Ref 2</sup>	1,015,962
Total CSA collection – period 2001/2002 <sup>Ref 3</sup>	\$1,400.1 million
Average collection per child per annum <sup>Ref 4</sup>	\$1,378.10 (\$26.50 per week)
No. of CSA payers who did not lodge tax returns <sup>Ref 5</sup>	252,080 (41% of total)
No. of CSA payers earning half or less average weekly earnings <sup>Ref 6</sup> - Payers with Child Support liabilities less than \$1,000 p.a.	261,000 (45% of total)

### BASIS OF CALCULATIONS

Based on the above statistics, we have updated our estimate of the cost of Child Support and include some figures that support our underlying assumptions.

No. of CSA payer parents June 2001 <sup>Ref 7</sup>	582,316
No. of CSA payers - male gender (91%) <sup>Ref 8</sup>	530,000
Estimate no. of CSA male payers not employed <sup>Ref 9</sup>	206,700 (39%)
ABS June 2001 = total males 20+ age group unemployed <sup>Ref 10</sup>	272,800 (6.1%)
CSA male payers as a % of National unemployment – above <sup>Ref 11</sup>	76%

### ESTIMATED COST OF CHILD SUPPORT – 2000/2001

<b>Direct cost of child support 2000/2001- welfare payments</b> <sup>Ref 12</sup>	<b>\$1740 million</b>
- adjusted for welfare claw back and allowing for 10% CSA unemployment rate	
<b>Agency cost per \$1 collected - CSA collect</b> <sup>Ref 13</sup>	<b>\$2.80</b>
<b>Indirect/opportunity cost of Child Support 2000/2001</b> <sup>Ref 14</sup>	<b>\$3,700 million</b>
- includes loss of tax revenue based on employed person earning 10% below AWE	
<b>Cost of child support per Australian taxpayer 2000/2001</b> <sup>Ref 15</sup>	<b>\$350.00 per person</b>
<b>Cost of Child Support since inception</b> <sup>Ref 16</sup>	<b>\$28,000 million</b>
<b>Cost of Child Support per taxpayer since inception</b> <sup>Ref 17</sup>	<b>\$2,700.00</b>

## **SPECIAL NOTATION – CO-OPERATION LEVELS**

Co-operation from the Child Support Agency in regard to this report was non-existent and the Agency proved most uncooperative. Enquiries relating to non-lodges of tax returns with the Australian Taxation Office were given the run-a-round for several months with no benchmarking statistics provided. Requests to Centrelink also proved most difficult and the unqualified information eventually supplied was meaningless. As a result of this lack of co-operation, **PIR was forced to lodge a formal complaint to the Australian National Audit Office in December 2000, who subsequently conducted an audit of the CSA. The cost of Child Support/Agency is expected to be addressed. in the Auditor General's report to Parliament in September 2002.**

## **RESEARCH OBSERVATIONS**

In the course of this research project, provided by PIR in the community/taxpayer interest, PIR interviewed many individuals and organisations, and provides an independent summary of what has been stated as the key reasons why the Child Support Scheme is not working and so horrifically costly in it's present form:

- ◆ Agreement on the level of appropriate Child Support between parties is virtually non-existent. Less than 5% of all CSA cases have signed long-term Child Support Agreements.
- ◆ "The Child Support Scheme was primarily introduced by women's groups and passed through parliament without any broad community support from fathers, or even many thousands of women whom have since partnered these fathers into second families. It is therefore, not seen by most men as providing necessary support for children, but more as never ending vindictive action by women against former partners".
- ◆ "Single men in particular, have no choice at all as to whether children should or should not be born, but women have the sole choice. Thousands of cases exist where single women have borne children to several different fathers. To add insult to injury the men have no choice as to the level of ever increasing mandatory child support (and continuous scrutiny into their financial affairs) provided to the other party, who has no accountability for both money or access".
- ◆ "Child support payments are not linked to custody, which is granted to 92% of women, nor access rights, which can be denied without reason or without any financial penalty to the payee (custodial parent) if in default".
- ◆ "The act provides for no privacy or any rights for payers, including mandatory disclosure of financial affairs, garnishees, seizure from bank accounts, child support debts that endure bankruptcy, even restricted travel rights are just a few undemocratic examples of the frequently used powers of the CSA".
- ◆ "The review process is primarily utilised by payees (who often train their own children to look for signs of any improved financial circumstances on access visits), it is mandatory and judgemental, it is free to payees and based on 'one' public servant's subject evaluation of income earning capacity and assumed ownership of assets. The appeal process via Family Court (who are seen as biased against men) is expensive and beyond the resources of most payers who can only resort to unemployment as a defensive mechanism".

- ◆ "Most men see Child Support as a woman's revenge tax that effectively tracks them down for life and taxes income at high premiums up to 84.7% for payers with three children on the highest marginal tax rate; whilst on the other side goes totally tax free to the other party regardless of changed marital status, employment up to AWE, or as previously stated regardless of access to their children".
- ◆ "It is common knowledge right across the nation (even Parliamentarians and The Ombudsman, where the CSA is the major source of complaint) that many thousands of men have been forced to resort to unemployment as their only defence against the excessive demands of the CSA. Yet the CSA adamantly denies the problem exists and at the same time refuses point blank to obtain independent research or commission surveys to support their case".
- ◆ "Through the Family Court, most male divorcees have already parted with most assets including the family home, only to then find through the CSS they are left with barely living expenses after payment of ever increasing child support linked to their future earnings capacity".

## **SUMMARY - SOLUTION**

It is PIR's independent view that the only real solution in this democratic equal opportunity nation, is that both parents should jointly share the basic cost of child maintenance. This should be levied at a flat rate for all non custodial parents based on a child index similar to that produced by the Institute of Family Studies and regardless of any financial circumstances, other than excluding liability in times of genuine unemployment or hardship and on the other side custodial parents in full-time care for children under five years of age. Any formulae based on taxable income will be treated as excessive discriminatory taxation and by human nature either resisted or totally avoided accordingly.

Prepared

August 2002

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Managing Director

\*NOTE Figures and estimates may not directly correlate with the main source of reference used in this report, namely Child Support Scheme - Facts and Figures 2000/2001. Many statistics stated therein relate to 'cases' and have been adjusted on a pro-rata basis to apply to 'individual' payer calculations.

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## COST OF CHILD SUPPORT - PIR COMMUNITY ISSUES REPORT - AUGUST 2002

### EXPLANATION OF KEY REFERENCE DATA AND PIR CALCULATIONS/ESTIMATES

- Ref 1 Reference CSS - Facts & Figures 2000/01. Page 6
- Ref 2 Reference CSS - Facts & Figures 2000/01. Page 6
- Ref 3 Reference CSS - Facts & Figures 2000/01. Page 6
- Ref 4 PIR calculation dividing number of children (Ref 2) into total amount collected (Ref 3).
- Ref 5 Reference CSS - Facts & Figures 2000/01. Page 20 - Table 4.9. This CSA reference is to cases but was converted to individuals = 96% of total cases.
- Ref 6 Reference CSS - Facts & Figures 2000/01. Page 23 - Table 5.2. Number of payers with liabilities with less than \$1,000. This calculates applying income of \$17,000 pa less exempt amount \$11,271 (page 9) which equates to liability of \$1,031 pa, AVE June 2001 \$41000 (ABS).
- Ref 7 Reference CSS - Facts & Figures 2000/01. Page 6
- Ref 8 Reference CSS - Facts & Figures 2000/01. Page 19 table 4.5 = 91% of total payers (page 6).
- Ref 9 Reference CSS - Facts & Figures 2000/01. Page 23 table 5.1 = number of payers with minimum liabilities 39% of total payers. Converted 91% to males.
- Ref 10 Reference ABS figures for total unemployed 20 plus males as at 30/6/01.
- Ref 11 PIR calculation Ref 9 as % of Ref 10.
- Ref 12 PIR calculation applying 110% of single rate of Social Security pension (see table 1.2 page 9 includes 10% loading for admin, medicare etc) \$11,271 x only 29% of total payers = \$1,906 mil less CSA claimed net saving (page 34 table 7.2) \$166 million = \$1740 million. Please Note: When calculating direct cost we have accepted a 10% unemployment rate for CSA payers, this is 64% above national average at 6.1%. It should also be noted that 20% of income from payers who did lodge tax returns where income was sourced from Government benefits and allowances (see page 21 table 4.12) this was not factored in, this amount was an extra \$270 mil.
- Ref 13 PIR calculation dividing amount collected "CSA collect" (see page 6) into Ref 12 - Direct Cost of Child Support. This figure was used in lieu of total collections because private collect are good payers who are allowed to pay direct to payees without any CSA collection/admin activities.
- Ref 14 PIR calculation using 29% of CSA unemployed = 168872 (accepting that CSA may have 10% which is 64% above national male unemployment of 6.1%) applying \$37000 pa income (which is 10% below AVE of \$41000). Loss of Federal Tax Revenue is calculated at \$10125 per person x 168872 = \$1710 mil (reference ATO tax scales, plus 75% of GST on net income). We also referred to page 27 table 4.12, which showed those that did lodge tax returns 71002 received \$3809 average of Government Benefits and allowances = \$270 mil. Indirect cost calculated by direct cost of Ref 12 \$1740 mil plus \$1710 plus \$270 mil = \$3720 mil. Note: We would also be in our right to adjust for low average earning (page 22 table 4.12) for lost tax revenue below AVE 354677 x \$2000 (tax loss) this would add a further \$700 mil to increase indirect cost to \$4400 mil, we don't want to be seen to push the limits so this is our ace if our numbers come into credible dispute.
- Ref 15 PIR calculation Australian Taxpayers 10.5 mil (Ref ATO website) divided into Ref 14 indirect cost 2000/01 \$3700mil = \$350 per person.
- Ref 16 PIR calculation discount back at 10% pa to base indirect cost \$1000 mil (we don't have figures for 1989, but do know that there were over 200,000 payers in 1990/91) to year 12 \$3700 mil plus \$1000 mil = average \$2350 mil x 12 = \$28200 mil for 12 years. NOTE: In actual fact, the strongest period of growth of the scheme was in the first half, so this average figure is in fact understated.
- Ref 17 PIR calculation Australian Taxpayers 10.5 mil (Ref ATO website) divided into Ref 16 and direct cost since inception 12 years = rounded to \$2700 per taxpayer.

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