



Australian Government

**Department of Families, Housing,
Community Services and Indigenous Affairs**

Changes to the child support population: Actual Transfers Modelling

30 April 2010

Introduction

In order to measure outcomes experienced by paying and receiving parents during the first 12 months following the 1 July 2008 changes to the Child Support Scheme, the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) have undertaken new analysis. It differs from previous analysis in that it is based on actual transfers between paying and receiving parents, rather than assessed liabilities.

The sample contains only Child Support Agency (CSA) collect paying and receiving parents. There is no administrative data on the actual amount of child support parents privately transferred before and after the change. For this reason, parents who privately transfer child support have been excluded from this analysis. The analysis on CSA collect contains around 198,000 receiving and 207,300 paying parents.

Reading and Interpreting the Results

Results of the actual transfers and modelled Family Tax Benefit (FTB) for Stage 3 of the Child Support Reforms are presented below. Caution is required in the interpretation and use of this data because it is subject to a number of caveats. ***The detailed caveats can be found at the end of this report.*** They explain why cases were excluded from the analysis and the data rules used (these mainly relate to FTB calculations).

There are very important differences that are crucial to bear in mind before reading the results of this analysis. The first is that the calculations in this analysis are based on what was actually transferred between parents, not on their assessed liabilities. This model uses the actual transfer amount for the purposes of calculating FTB.

FTB has been modelled, as reconciled FTB information is not currently available, and will not be completely available until 30 June 2011. This is due to the lag in parents' taxable income details becoming available due to the delays in parents lodging tax returns. The modelled FTB outcome is likely to differ from the reconciled FTB data, as during the 24 months FTB will have been based on different estimates, ages of children and care arrangements. FTB has been modelled on 30 June 2009 circumstances, which may downplay the increase in resources available in receiving parents' households. Refer to detailed caveats for further information.

Outcomes are determined by comparing what was actually paid in child support in the 2008-09 financial year, with the 12 months to May 2008. The year to May 2008 was used as this lessens any transitional effects that may have occurred just prior to the Scheme changes. The amount transferred in the 12 months to May 2008 was **indexed by the Consumer Price Index** (1.5 per cent), this enables a direct comparison based on changes in real dollars received or paid.

The analysis presents the impact on receiving parents and paying parents separately.

It should also be noted that the analysis of these groups cannot isolate the effect of any one feature of the reforms, as compliance and circumstances change independently and outcomes may be the result of a number of factors operating together.

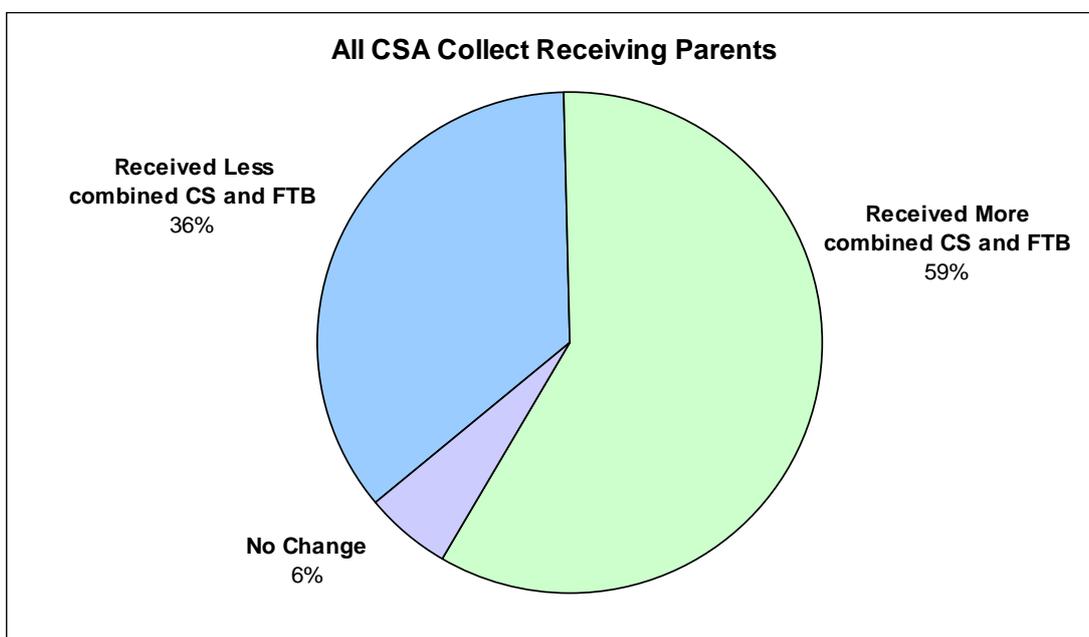
Results

Overall results - Receiving and paying parents

Receiving Parents

There are 198,000 receiving parents in this analysis. When looking at the modelled changes in outcomes for the 12 months to the end of June 2009, the modelling shows that 59 per cent (116,100) of receiving parents received more in combined FTB and child support, 36 per cent (70,800) received less and six per cent (11,100) experienced no change. Figure 1 below illustrates the overall changes for receiving parents.

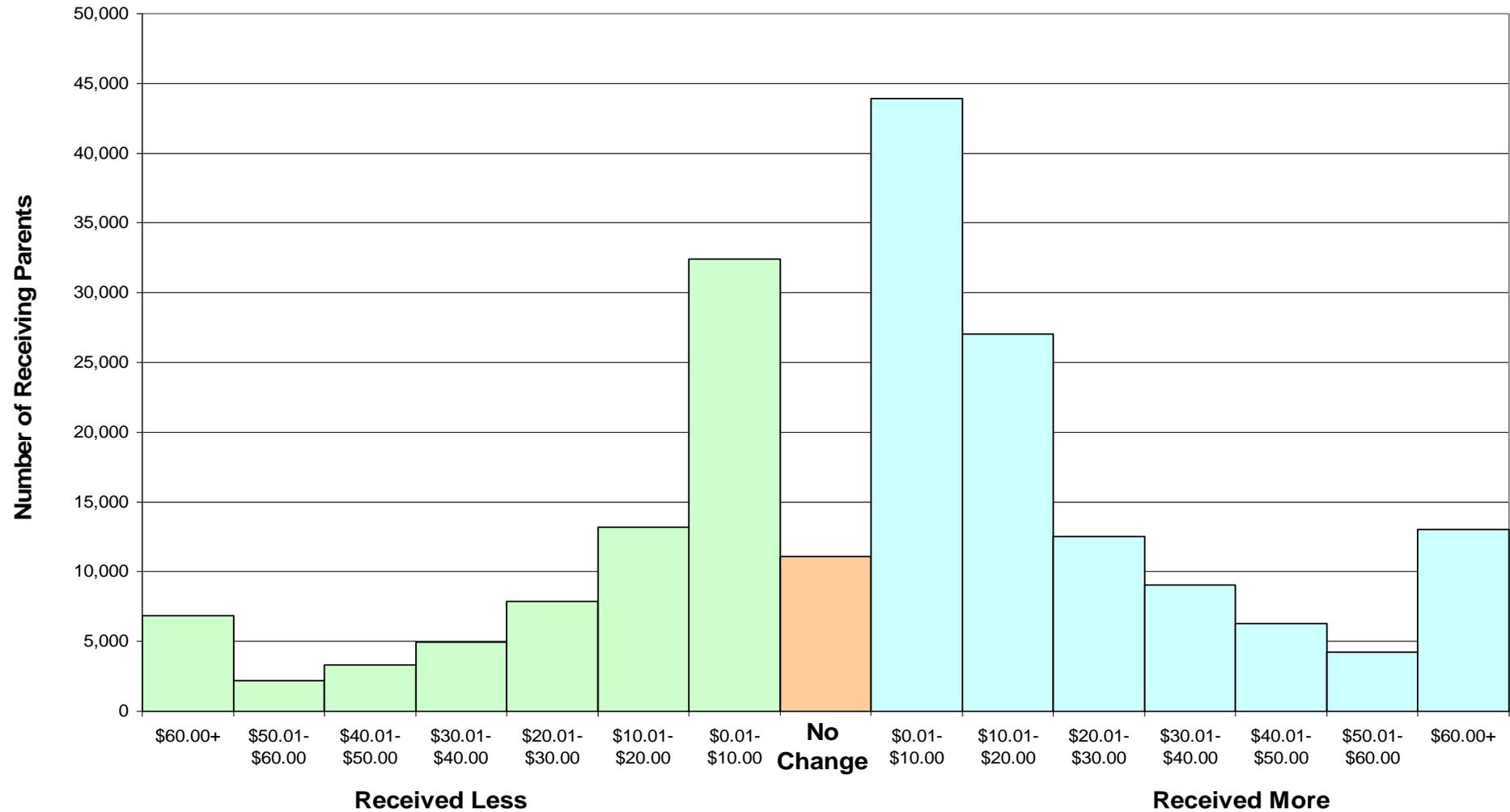
Figure 1: Outcomes for Receiving Parents 2008 to 2009



Source: CSA data extracts 31 May 2008 and 30 June 2009. Note: These figures are based on modelled FTB and actual amounts of child support transferred. These results are based on figures from May 2008 that have been indexed for comparison with 2009. The full list of caveats should be considered when interpreting this data.

Of those that received more, over 61 per cent (70,900) received up to \$20 per week extra. Of those that received less, 64 per cent (45,600) had a change up to \$20 per week, less than 10 per cent (6,800) had a change of more than \$60 per week. Figure 2 illustrates the changes in the amount of child support and modelled FTB received in the 12 months to the end of June 2009 for receiving parents.

Figure 2: Number of Receiving Parents who Received More or Less, by Dollar Change per Week



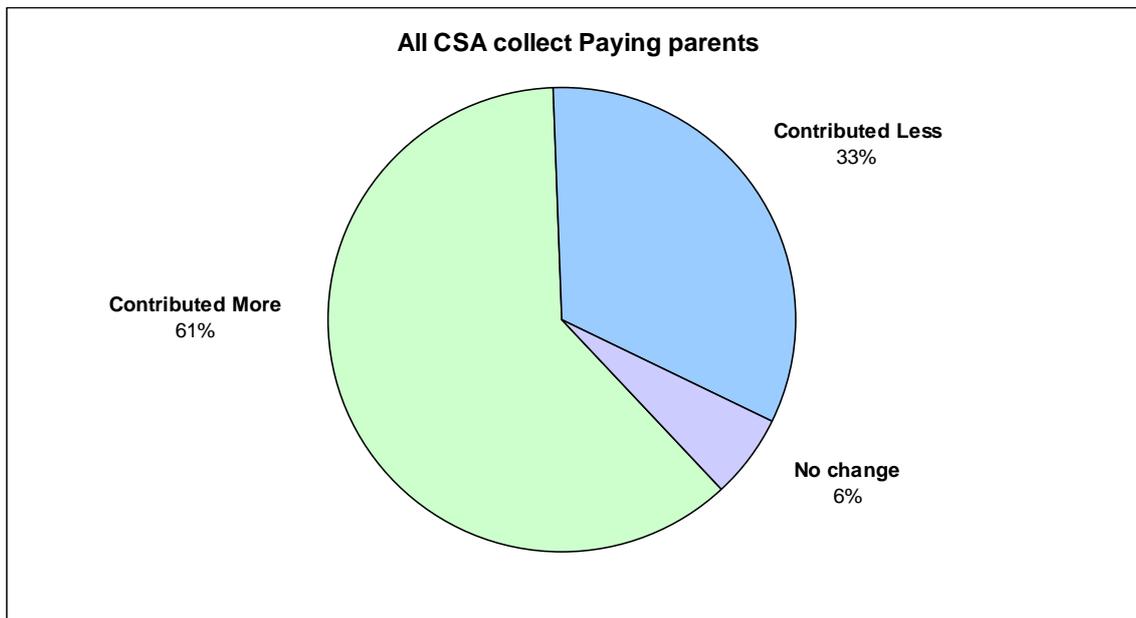
Source: CSA data extracts 31 May 2008 and 30 June 2009. Note: These figures are based on modelled FTB and actual amounts of child support transferred. These results are based on figures from May 2008 that have been indexed for comparison with 2009. The full list of caveats should be considered when interpreting this data.

Paying Parents

For paying parents the term contribute more or contributed less is used. Overwhelmingly contributed more means that in real terms they paid more child support (around 1,300 paying parents have received less FTB). Overwhelmingly contribute less means that in real terms they paid less child support (around 1,000 paying parents have received more FTB).

Of the 207,300 paying parents analysed around 33 per cent (68,400) contributed less, 61 per cent (127,000) contributed more and six per cent (11,900) had no change (Figure 3).

Figure 3: Outcomes for Paying Parents 2008 to 2009

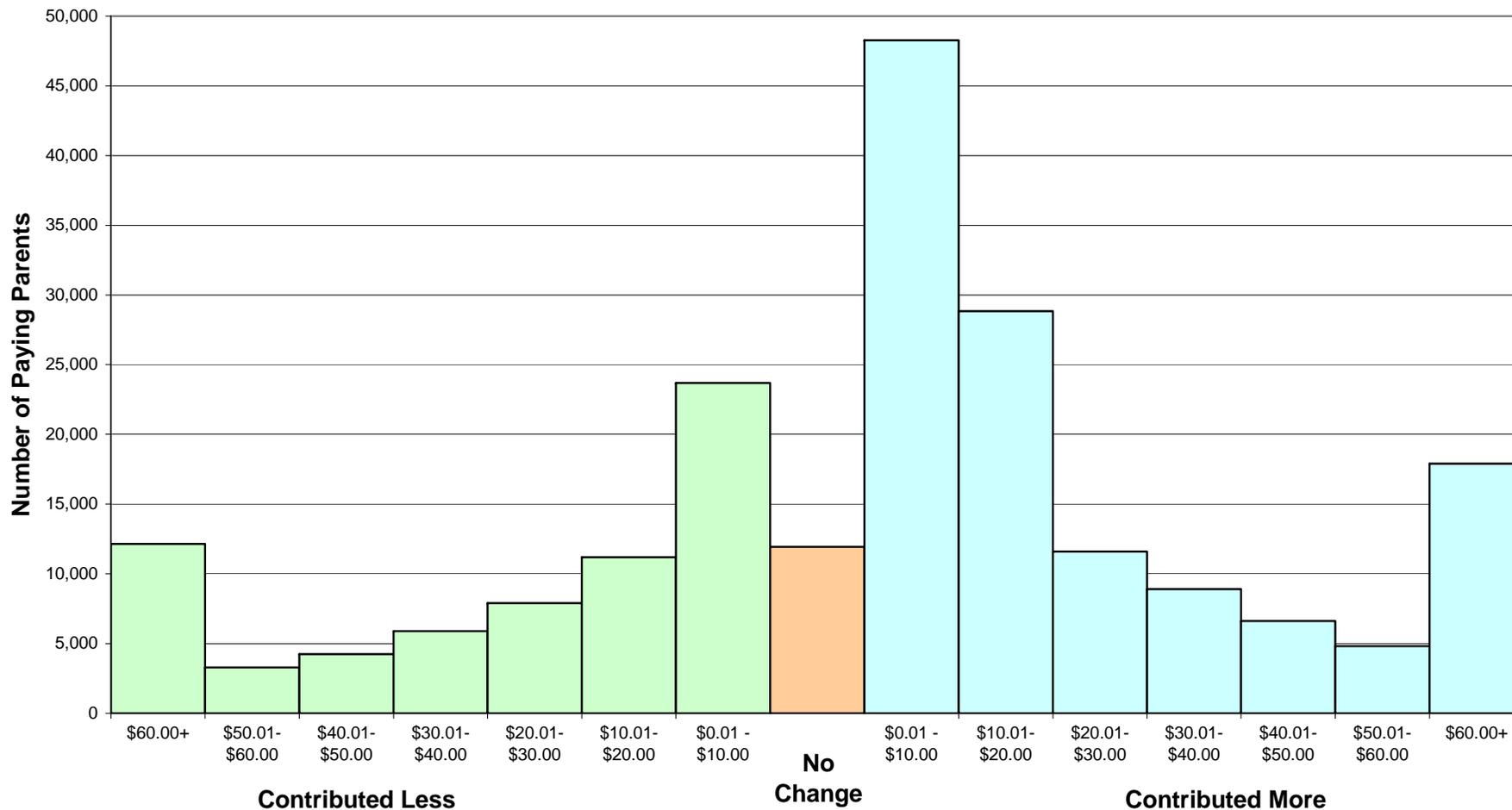


Source: CSA data extracts 31 May 2008 and 30 June 2009. Note: These figures are based on modelled FTB and actual amounts of child support transferred. These results are based on figures from May 2008 that have been indexed for comparison with 2009. The full list of caveats should be considered when interpreting this data.

Of those that contributed more, around 61 per cent (77,100) transferred up to an additional \$20 per week, while around 14 per cent (17,900) increased the amount they transferred by more than \$60 per week. For those that contributed less, around 51 per cent (34,900) decreased their contribution by up to \$20 per week.

Figure 4 illustrates the changes in contributions among paying parents for the 12 months to the end of June 2009.

Figure 4: Paying Parents Increase and Decrease in Contributions by Dollars per Week



Source: CSA data extracts 31 May 2008 and 30 June 2009. Note: These figures are based on modelled FTB and actual amounts of child support transferred. These results are based on figures from May 2008 that have been indexed for comparison with 2009. The full list of caveats should be considered when interpreting this data

Caveats – Actual Transfers and Modelled FTB

The analysis presented in this section is based on actual child support transfers for 198,000 receiving and 207,300 paying parents. The parents used in this analysis are those who transfer their child support liability through the CSA (CSA collect). All cases included are registered with the CSA and have their child support liabilities assessed using the administrative formula. The analysis reflects the amount of child support that *was* transferred and the FTB that *would* be paid based on parents circumstances on 30 June 2009.

Limitations of the information presented are as follows:

- Only CSA collect cases are included in the analysis.
- Paying parents and receiving parents may be involved in more than one child support case. For example, they may be paying more than one person, receiving child support from more than one person or paying one person and receiving from another. This means that there are fewer receiving parents than cases and fewer paying parents than cases.

Data rules used in model:

- Outcomes are determined by comparing what was actually paid in child support in 2008 to the equivalent in 2009. The 2008 figure represents what was paid in the 12 months to May 2008. The figure for 2009 was determined by indexing the May 2008 figure by CPI (1.5 per cent) to reflect what was paid in 2008-09. May 2008 data was used to minimise any transitional impact of moving to the new formula on 1 July 2008. It also ensures the population and family dynamics are consistent with the data in the Distributional Impact Modelling.
- The 2008 transfer amount was paid based on a liability determined using the old child support formula, the 2009 figure has been indexed from this.
- The analysis was based on data extracts from May 2008 and June 2009. Therefore, the modelling reflects paying parents' and receiving parents' circumstances at the time at which the data was extracted.
- The FTB outcomes are modelled using 30 June 2009 rates, thresholds and income estimates and are based on those parents who were receiving FTB, not those who were entitled to claim but did not.

Data terms and reporting:

- Numbers and percentages may not add to totals due to rounding.
- For the paying parent and the receiving parent, the figures represent the changes in child support transfers and modelled FTB outcomes based on those transfer amounts. This means that the terms 'contributed more' and 'contributed less' are used to describe paying parent changes reflect changes in both child support transferred and modelled FTB outcomes. Overwhelmingly the changes for the paying parent are due to increases or decreases in the amount of child support they paid rather than changes in FTB. The terms 'received less' and 'received more' for the receiving parent refer to the combination of changes in child support received and modelled FTB outcomes.
- This modelling reflects the outcomes of the first year post Stage 3 of the Child Support Scheme Reforms. Therefore reforms implemented in Stage 1 (1 July 2006), such as the income cap reduction or the minimum payment measures, are not reflected in this model.
- All outputs incorporate large scale rounding. Numbers are rounded to the nearest hundred and percentages are rounded to the nearest whole per cent.
- Paying parents and receiving parents may be involved in more than one child support case. For example they may be paying more than one person, receiving child support from more than one person or paying one person and receiving from another.
- The model does not take into account the effects of other changes in taxation rates, thresholds or increases in government pensions/benefits.
- It is not possible to present separately the impact of compliance, reform changes or changes in income.