

Higher child support doesn't lead to welfare dependency for single mums

Written by The Conversation

Child support [reduces poverty](#) among single mothers in Australia and does not discourage employment or reduce the number of hours worked. [My analysis](#) of data from the Household, Income and Labour Dynamics in Australia survey studies how the amount of child support a single mother receives, affects how much she works.

[Previous research](#) has found that single mums with bigger child support payments worked less than those with lower payments. This is partly due to the [formula](#) that determines how much child support should be paid.

The formula means that when the non-resident father's income is higher, child support increases. But if a single mother stops working and the father's income stays the same, her child support payments increase.

The formula directly causes child support to increase if hours of work decrease. My analysis adjusts for this and finds that receiving a higher child support payment leads to an increase in the employment rate of single mothers and an increase in the number of hours worked each week.

One explanation for these results is the way that child support and welfare payments interact. When the level of child support increases, there is a change in the trade-offs single mums face when deciding how much to work.

Family Tax Benefit A is reduced by 50 cents [for every dollar of child support received above a certain amount](#). So mothers with a high child support payment, get less Family Tax Benefit A. This means that there is less Family Tax Benefit A to lose as a mother's income increases and so the incentive to work is stronger.

Welfare dependency

A popular concern is that higher levels of child support could enable long-term welfare dependence. Single mothers may rely on child support and parenting payments and then

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transition to other income support payments as their children grow up.

However I found that more child support can increase employment for single mothers, this means that higher levels of child support could in fact reduce long-term welfare dependency for this high-risk group.

Single mother households make up [over 87% of child support recipients](#) in Australia, and are significantly more likely to be in poverty than other households.

[43% of single parent households](#) rely on welfare payments as their main source of income.

The recent government [Baseline Evaluation Report](#) into the lifetime costs of Australia's welfare system identified young parents as a group who will access welfare payments intensively across their lifetime.

A case for higher child support?

Single mothers work more when their child support increases and other welfare payments such as the Parenting Payment fall by less than the increase in earnings. This means that when child support increases, single mothers have higher household income.

Some of this increased income will be taken up by childcare costs. Despite this, increased employment is likely to increase the wellbeing of single mothers and their children.

When these women work more it [increases their superannuation and their future earnings](#), reducing the chances of old-age poverty. Children growing up in households that are not reliant on income support are

[less likely to become income support recipients in early adulthood](#)

In terms of eligibility, [21% of children in Australia have a parent living elsewhere](#) and so qualify to receive child support. Changes to the level of child support payments can therefore affect the

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long-term employment outcomes of many parents.

However, the level of child support payments is an understandably contentious issue. Parents paying child support [describe the amount they pay as unfair](#) , and parents receiving child support find the amount received insufficient.

The finding that higher levels of child support do not discourage single mothers' employment gives confidence that an increase in child support would not increase their welfare dependence. However there's room to research the effect on single fathers, so that the full implications of such an increase can be fully understood.

Hayley Fisher receives funding from the Australian Research Council.

Read more <http://theconversation.com/higher-child-support-doesnt-lead-to-welfare-dependency-for-single-mums-73902>