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18 March, 2013

Dr Ian Holland,
Committee Secretary,
Senate Standing Committee on Community Affairs,
Inquiry into the Family Assistance and Other Legislation Amendment Bill 2013,

SUBMISSION OF THE AUSTRALIAN FAMILY ASSOCIATION

Family Assistance and Other Legislation Amendment Bill 2013

Dear Dr Holland,

Please find attached the Submission of the Australian Family Association on the Family Assistance and Other Legislation Amendment Bill 2013. The Australian Family Association requests that the Attachments be treated as part of the Submission and provided to the members of the Committee.

Yours sincerely,

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Submission

on the

Family Assistance and Other Legislation Amendment Bill 2013

to the

Senate Community Affairs Committee

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Introduction

The Australian Family Association Submission was given just two and a half working days to prepare this submission to the deadline of midday Monday 18 March, 2013.

Therefore Attachments have been provided to more fully develop explanation of the points made. The Committee is respectfully requested to treat the Attachments as part of the Submission.

The Australian Family Association would welcome the opportunity to discuss the contents of this submission with the Senate Committee.

1. Birth funding discrimination increased

Families receive unearned taxpayer-funded newborn childcare payments comprising either the Baby Bonus or Paid Parental Leave (PPL) but not both.

The Baby Bonus and PPL changes proposed by the Family Assistance and Other Legislation Amendment Bill 2013 (the Bill), both effective from 1 January 2013, relate to provisions that discriminate unfairly against families eligible only for the Baby Bonus.

The Bill if passed would cut the Baby Bonus from \$5000 to \$3000 for second and subsequent children. The Bill also regulates eligibility for the two (2) weeks' "Dads and Partners PPL" introduced in July 2012. This doubly discriminates against families receiving the Baby Bonus by cutting the amount they would receive and increasing the PPL benefit.

To see detailed figures on how the Bill would increase in the disparity between the present Baby Bonus of \$5000 per child and PPL, based on the 2011-2012 Federal Budget Estimates, see ["Analysis of Children's Care Funding in 2011-2012 tied to Care Type and Workforce Status"](#) – Attachment 1).

How the <i>Family Assistance and Other Legislation Amendment Bill</i> further de-funds parent care relative to non-parent care			
	TYPE OF BIRTH FUNDING	Paid Parental Leave	Baby Bonus
1.	Type of childcare it promotes between pregnancies?	Non-parent care	Mother or father care
2.	The unfair means-tests on \$150K income favours PPL	Income of 1 beneficiary (mainly the mother)	Income of both parents
3.	2011/12 Funding Average after-tax per family favours PPL by 1.5:1 (Figures as per Attachment 1)	\$8,845 per family (2011)	\$5,725 per family (2011)
4.	Effect of Family Assistance and Other Legislation Amendment Bill 2013 changes per Bill with effect from 1 January 2013	More funding from 1/1/2013 New 2 weeks' "Dads & partners" PPL funding Per July 2012 legislation	Funding cut from 1/1/2013 Baby Bonus cut to \$3000 for other than 1 st child Per this 2013 Bill

2. “Anyone but mothers” childcare policy

Why should the care of newborns be funded differently, under two almost identical payments? Apart from the funding disparity, the only significant difference between the subsidies is the qualification test. Mothers receiving PPL must be in *continuous paid work* before and between pregnancies to qualify.

The federal government’s two-tier birth funding system –

- (a) **discriminates in favour of families that outsource their children’s care between pregnancies, by giving them more funding through PPL; and**
- (b) **discriminates against parents who give up income to afford maternal (or paternal) childcare for their children between pregnancies, by giving them only much lower Baby Bonus.**

The Bill adds to this discrimination by decreasing funding for the Baby Bonus.

This amounts to forcing an “anyone but mothers” childcare policy onto parents and will force more children into daycare. For example, the policy of de-funding parent care in Sweden since the 1970s resulted in 95% of 2-5 year olds being in taxpayer-funded daycare in 2009. (see “Secure Children-Secure Parents-The Role of Family in the 21st century”, Jonas Himmelstrand, <http://www.stratletter.com/dec10speech.html>).

Given that mothers are overwhelmingly the carer of choice for families with small children, this is grossly unfair and against the childcare preferences of many Australian families.

Public opinion strongly favours non-discriminatory childcare funding. A Galaxy Poll in March, 2010 found 64% of Australians wanted all mothers funded equally to afford bonding time with their babies (see Submission of Australian Family Association and Kids First parent Association of Australia on Paid Parental Leave Bill 2010, Division 2, Part 5, pages 8-9 – Attachment 2).

3. Harm to children

Not only is parent care preferred by many families but there is evidence that long daycare is harmful to children under 3 years of age (see Submission of FamilyVoice Australia on the Paid Parental Leave Bill 2010 (Exposure Draft), Part 3, pages 3-5 and references 8-15 – Attachment 3).

These harms including risks associated with daycare are outlined extensively in our Senate Submission on the *Paid Parental Leave Bill 2010* under the heading “Harm to families, children and society” (Attachment 2, Division 3, Part 9).

4. Economic harm

Preferentially funding PPL over the Baby Bonus means that families are taxed but “given more of their money back” if they outsource their children’s care.

4.1 *Ongoing childcare funding: Also discriminates against parental childcare*

Subsidies for “ongoing” childcare costs (as distinct from one-off newborn care support) also discriminate heavily against parent-care by a ratio of around 2:1.

(See “Analysis of Children’s Care Funding in 2011-2012 tied to Care Type and Workforce Status” – Attachment 1, pages 1 & 3).

Similar to birth funding, “ongoing” childcare funding is becoming ever more biased against parent care and in favour of institutional childcare. For example, parent care funding (Family Tax Benefit B) is means-tested, whereas the Child Care Rebate for institutional daycare is not.

Every few months another policy is announced that favours non-parental care, such as the trial announced this week of 24 hour childcare, partly subsidised by the federal government. See “Child care goes 24/7 with new extended hours trials”, *The Australian*, 16 March 2013 (<http://www.theaustralian.com.au/news/child-care-goes-247/story-e6frg6n6-1226598961821>).

4.2 *Taxation to fund childcare amounts to is a massive wealth transfer*

The federal government’s “anyone but mothers” childcare policy amounts to a massive transfer of wealth from families that do their own childcare and fund it(through sacrificing income) to those that neither do their own childcare nor fund nearly as much of it.

But does this wealth transfer model of discriminatory childcare funding help the economy?

Two false economic arguments are advanced to justify discriminatory birth funding that continually increases PPL and chips away at the Baby Bonus.

4.3 *Myth #1: That PPL subsidies “pay for themselves”*

The first argument is that the higher-funded PPL will generate more tax revenue than it consumes, due to taxes paid by (mostly) women thereby induced into paid work

However, this is clearly false because **if PPL generated enough profits to cover its cost, there would be no need for taxpayers to subsidise it in the first place.**

Subsidising anything below its true cost of production (eg: 4 months with newborns at "no cost", tied to continuing paid work) generates a false demand for higher consumption of the subsidy. As pointed out above, this subsidy does not "pay for itself" or women in paid work would be earning enough to afford it themselves.

PPL beneficiaries must pass the PPL "paid work test" which means they must outsource their older children's care in order to do the mandated "continuous paid work" between pregnancies. This induces them to consume more expensive, tax-funded, daycare subsidies.

In reality, PPL is a net cost to taxpayers as the subsidies it consumes for both PPL and daycare are not generated out of profits of the workers claiming them but come from other productive workers, whose businesses may close down as a result of the added tax burden.

4.4 *Myth #2: That cutting the Baby Bonus will lower taxes*

The second (false) economic myth is that cutting the Baby Bonus will save taxpayers the amount by which the subsidy is reduced. The Explanatory Memorandum to the Bill, for example, describes the cut as a "saving" that will "support the future sustainability of" various other funding including PPL.

This reasoning is wrong. First, the lower-funded Baby Bonus makes it financially viable for women to do unwaged work including their own childcare work and work in the community and for charities.

Secondly, making subsidies for paid workers higher (via higher PPL) financially squeezes unwaged workers to take up paid work.

Thirdly, this means that the true cost of PPL includes the millions of dollars in taxpayer subsidies needed to take over the unwaged work that mothers would otherwise chose to do between pregnancies.

CONCLUSION:

Cuts to the Baby Bonus will further unfairly de-fund families wishing to provide parental care and harm the economy by increasing net taxation.

Recommendations

The Bill's provisions to increase birth funding by extending Paid Parental Leave on one hand and to decrease it in relation to the Baby Bonus would not be in the best interests of families and their children; would deny families equal funding for their childcare choice; and would harm the economy.

Recommendation 1: The provisions of the Bill relating to the Baby Bonus should therefore be opposed.

Recommendation 2: The provisions of the Bill regulating the "Dad and Partner pay" should be opposed. The provision for "Dad and Partner pay" should not be further regulated, they should instead be repealed, per Recommendations 3 and 4.

Recommendation 3: The government should redistribute all federal government birth funding, including the Baby Bonus and Paid Parental Leave, in the form of a voucher that gives equal funding for maternal care of every newborn.

Recommendation 4: The government should conduct a full review of all existing family payments, ensuring such payments are blind to parental workforce status (waged or unwaged) and childcare choice (including parental, informal or outsourced childcare). Such a review should include consideration of income splitting or some form of family unit taxation.

References

1. ["If PM would like me to say sorry, I am: Abbott"](http://www.theaustralian.com.au/national-affairs/if-pm-would-like-me-to-say-sorry-i-am-abbott/story-fn59niix-122659870546), *The Australian*, 24 October 2012, <http://www.theaustralian.com.au/national-affairs/if-pm-would-like-me-to-say-sorry-i-am-abbott/story-fn59niix-122659870546>.
2. [Two lies distort our childcare funding debate](http://menzieshouse.com.au/2011/05/two-lies-distort-our-childcare-funding-debate.html#more), 18 May 2011, <http://menzieshouse.com.au/2011/05/two-lies-distort-our-childcare-funding-debate.html#more>.
3. [Trust babies to block Paid Parental Leave!](http://menzieshouse.com.au/2010/11/trust-babies-to-block-paid-parental-leave.html), 11 November 2010, <http://menzieshouse.com.au/2010/11/trust-babies-to-block-paid-parental-leave.html>.
4. [Baby bonus cut a slap at stay-at-home mums](http://www.theaustralian.com.au/opinion/baby-bonus-cut-a-slap-at-stay-at-home-mums/story-e6frg6zo-1226504051315), *The Australian*, by Angela Shanahan, 27 October 2012, <http://www.theaustralian.com.au/opinion/baby-bonus-cut-a-slap-at-stay-at-home-mums/story-e6frg6zo-1226504051315>.