



**Submission:**

**Family Assistance Legislation Amendment  
(Jobs for Families Child Care Package)**

**Bill 2015**



FINANCE SECTOR UNION

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## **SUBMISSION TO THE EDUCATION AND EMPLOYMENT LEGISLATION COMMITTEE**

Inquiry into the provisions of the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015.

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## 1. Introduction

The Finance Sector Union (FSU) of Australia welcomes the opportunity to contribute to the Inquiry into the provisions of the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015.

The Finance Sector Union of Australia (FSU) is the trade union representing employees working in the banking, finance and insurance sector. The industry consists of more than 420 000 employees nationwide, with women making up approximately 51% of the total number of workers within the sector<sup>1</sup>

Child care affordability is an important issue for our members, the majority of which are modestly paid women. As women typically have a greater role in caring for children, a lack of access to quality and affordable childcare negatively effects women's participation in the workforce, either leading to decreased hours of work, loss of promotional opportunities or resignation/retrenchment.

A study of FSU case notes revealed that nearly one third of all members who contacted the union for assistance in relation to child care responsibilities decreased their participation in the workforce through accessing unpaid leave (7.5%) or leaving employment altogether (25%), even though their preferred outcome would have been to continue working.

It is vital that the Jobs for Families Child Care Package supports the child care needs of all working families, including part time workers, those who work variable hours and families where one or both parents are in insecure employment.

The FSU supports the submission put forward by the Australian Council of Trade Unions (ACTU) and welcomes the opportunity to provide input into this inquiry based on the experiences of our members.

If you would like further information on this submission, please contact Kelly Anderson, Lead Organiser, Organising & Development

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<sup>1</sup> ABS, *Labour Force Australia: Detailed, Quarterly, August 2015*, (2015), <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003Aug%202015?OpenDocument>  
Viewed 28/10/2015

## 2. FSU Comments

### 2.1 The Child Care Package is dependent on cuts to family payments and paid parental leave

FSU is deeply concerned that the \$3.2 billion required to fund the Jobs for Families Child Care Package will come at a great cost to low and middle income families via harsh cuts to both family tax benefits and paid parental leave.

Access to sufficient paid parental leave and affordable, support for low and middle income families and high quality child care are all vital to support working families and to promote women's ongoing participation in the workforce.

It is incredibly short sighted to cut from two crucial areas of family support for low and middle income families to subsidise another crucial item for families, child care. We note that after low and middle income families have funded this \$3.2 billion investment in child care through billion dollar cuts to paid parental leave and family tax benefits, the Government anticipates that families earning between \$65 000 - \$170 000 will be just \$30 per week better off in child care costs<sup>2</sup>, *if* their child care provider charges at or below the benchmark fee<sup>3</sup>.

The FSU is a strong supporter of paid parental leave and as a result, has secured some of the best private sector provisions in Australia on behalf of our members. When combined with government-funded paid parental leave, many new parents in the finance industry are able to meet the 26 weeks paid leave that is recommended by the World Health Organisation and others as the optimal period of paid leave in terms of child and maternal health.

Please see the example below outlining the impact of cuts to paid parental leave on FSU members and their families.

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<sup>2</sup> Press Release <http://www.liberal.org.au/latest-news/2015/05/10/jobs-families-child-care-package-delivers-choice-families>. Viewed 19/01/2016

<sup>3</sup> Professor D. Brennan and E. Adamson 'Baby Steps or Giant Strides?' Report, The McKell Institute, June 2015 [http://mckellinstitute.org.au/wp-content/uploads/2015/07/McKell\\_Childcare-Report.pdf](http://mckellinstitute.org.au/wp-content/uploads/2015/07/McKell_Childcare-Report.pdf), pg 14

### **Case Study: Rhiannon, Part Time Teller, Major Bank**

Rhiannon recently returned to work part time (3 days per week) from parental leave and earns around \$27 000 per annum.

She received 12 weeks paid parental leave from her employer, approximately \$6228. She also received 18 weeks government-funded paid parental leave, worth \$11 826.

Under the *Fairer Paid Parental Leave Bill* (2015), the government component will be cut to \$5598 and she will be \$6228 worse off. Her paid time at home to care for her future children will be cut by 9.5 weeks.

Even under the “compromise” position announced by the Turnbull Government in late 2015<sup>4</sup>, Rhiannon’s total paid parental leave will be capped at 18 weeks and she will be 8 weeks worse off, worth \$5256 to her family budget.

*“I can’t tell you how important my parental leave payments were to us and how much I valued that time at home with my daughter. My partner gets paid monthly and there is often too much month left at the end of the money. Having that regular pay coming in each week made a huge difference to us when we most needed it – and helped us stay afloat until I returned to work”.*

We are concerned that cuts to paid parental leave will:

- Prevent more women from spending critical time at home with their new babies;
- Lead to families facing financial duress at a particularly vulnerable point in time;
- Adversely impact the health and welfare outcomes of new babies and mothers;
- Increase demand for child care for very young babies in a system that is already struggling to meet demand;
- Encourage some women to break from the workforce entirely when faced with the difficult decision to place a very young baby in child care in order to return to work.

We note that the Child Care Package does not address the shortage of places for children under 2, nor does it provide an additional subsidy for children under 2, despite many providers charging higher rates for infants. Demand for infant care will rise if the Government goes ahead with its planned cuts to paid parental leave, forcing mothers with very small babies back into the workforce much sooner.

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<sup>4</sup> <http://www.smh.com.au/federal-politics/political-news/turnbull-government-to-compromise-on-paid-parental-leave-double-dipping-20151216-glopny.html>, Viewed 19/01/2016

### **Recommendation 1**

*Access to sufficient paid parental leave, family payments and affordable child care are all important issues for working families. The Government should adequately fund all three areas. Funding for the Jobs for Families (Child Care Package) should not be contingent on any cuts to family payments and paid parental leave.*

### **Recommendation 2**

*The Child Care Package should address the shortage of places for infants and toddlers under 2. The Package should also provide an additional subsidy for under 2's.*

## **2.2 The proposed activity test fails to address the needs of parents who have insecure, variable or unpredictable hours of work**

The amount of Child Care Subsidy (CCS) that families are entitled to will vary from fortnight to fortnight, when one or both parents work irregular hours. This will heavily impact their ability to afford child care fees, week to week. Parents in insecure employment will be at risk of losing their child care place when they are temporarily out of the workforce and unable to pay the full cost of fees.

### **Case Study: Emily, Part Time Customer Service, Regional Bank**

*"My hours change week to week depending on the needs of the business. I usually work 3 days, so our child is in child care 3 days a week. My partner is self employed and hasn't worked at all over the past few weeks. He will probably do 20 hours this week. He has a big job interstate coming up in a few weeks and will probably work around 84 hours per week for 3 weeks!*

*Will we be forced to pay more in child care whenever he is in between jobs? These changes are confusing and frustrating. Sounds like it won't work at all for my family."*

In a January 2016 survey of FSU members on the Jobs for Families Childcare Package, another FSU member whose partner works variable hours indicated the difficulties she would face with balancing the family budget whilst receiving a variable Child Care Subsidy each fortnight,

*“This may mean that I have to stay home and look after my daughter because child care will be unaffordable for my family”.*

Another FSU member in our survey observed the stress of reporting variable hours,

*“Working families are already struggling to find a balance between what is best for our families and our economic stability. Further complicating the only entitlement we know we are eligible for does little to motivate return to work for stay at home caregivers. I’d be constantly worried about correctly reporting our hours and possible underpayments or overpayments of the Subsidy.”*

The proposed activity test also halves access to early childhood education and care (ECEC) for children from low income families that cannot meet the activity test. It is well established that access to quality ECEC is important for the healthy development of small children, with 15 hours per week being a developing international norm<sup>5</sup>. Under the new proposal, children from families who earn less than \$65 000 per annum will have access to up to 24 subsidised hours of care per fortnight, however, with child care providers overwhelmingly charging a daily rate, this equates to just 1 day of care per week (as opposed to the current 2 days provided per week). This means that children who stand to benefit the most from early childhood education and care will have insufficient access to support their early development.

### **Recommendation 3**

*The proposed activity test should be revised to properly address the child care needs of families where one or both parents have insecure or irregular patterns of work. This will encourage continued workforce participation of mothers and other carers and ensure that children whose parents are in insecure work do not have their access to vital ECEC diminished.*

### **Recommendation 4**

*All children should have access to quality early childhood education, irrespective of their parent’s work participation. Every child in Australia should have access to at least 15 hours per week in accordance with international trends.*

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<sup>5</sup> Professor D. Brennan and E. Adamson ‘Baby Steps or Giant Strides?’ Report, The McKell Institute, June 2015  
[http://mckellinstitute.org.au/wp-content/uploads/2015/07/McKell\\_Childcare-Report.pdf](http://mckellinstitute.org.au/wp-content/uploads/2015/07/McKell_Childcare-Report.pdf)

### **2.3 The proposed activity test provides insufficient Child Care Subsidy for part time staff who work reduced hours across a number of days**

The proposed activity test incorrectly assumes that part time staff work full days, when often this is not the case.

Part time staff in the finance industry have very little choice and control over their rostered hours and days of work. For example, a parent working 24 hours per week might prefer to work 3 full days to reduce their need for child care, but is instead employed to work a shorter number of hours each day across 5 days. This is a common occurrence in retail banking, where part time staff are often rostered to work 4 or 5 hours each day to cover the busy lunch period, without having to take an unpaid meal break themselves. As a result, part time staff can require child care arrangements on up to 5 days per week, even though they are not being paid for full days.

#### ***Case Study: Kate, Part Time Customer Service Specialist, Major Bank***

Kate works 24 hours per week, spread across 5 days, to meet the staffing needs of her busy branch. Her daughter attends long day care 4 days per week. The centre charges a daily fee of \$97, based on its operating hours of 7am-7pm. Regardless of how many hours Kate needs her daughter to be in child care, she is billed at the daily rate.

Under the proposed activity test, Kate will be entitled to just 72 subsidised hours per fortnight. This provides Kate with only 3 days of subsidised child care, even though she requires child care for 4 days each week, leaving Kate out of pocket \$194 each fortnight.

*“If we lose the subsidy on that extra day, I’ll have to stop work because this just won’t work for us.”*

#### ***Recommendation 5***

*The Child Care Package must recognise that child care providers overwhelmingly bill daily rates, rather than hourly rates. The Child Care Package must be flexible enough to accommodate the needs of part time staff who work shorter working days, yet are still liable to pay a full day’s child care fees. The focus on subsidised hours is inappropriate and heavily disadvantages part time staff who work reduced hours in a day.*



## **2.4 Parents whose child care provider charge more than the benchmark fee are significantly out of pocket**

FSU is concerned that the hourly benchmark rates are well below the actual cost of child care incurred by many parents, particularly for long day care.

With an hourly benchmark rate of \$11.55 for long day care, any parent whose provider charges above \$127 per day will have considerably higher out of pocket expenses. For example, high demand for child care in the Inner West of Sydney and Inner Sydney has seen child care costs sky rocket to an average of \$149.39 per day<sup>6</sup>.

With child care costs increasing 7.5% each year over the past decade<sup>7</sup>, dramatically outstripping CPI, it seems entirely inappropriate that the benchmark fee should be tied to CPI, rather than real market prices.

### ***Josie, Call Centre Employee, Major Bank***

Josie's centre charges \$142 per day. Its open for 11 hours so the actual cost of child care is \$12.91, leaving a gap of \$150 per fortnight.

*"What's the actual cost of my child care going to be when this system kicks in?! I've heard of centres nearby charging up to \$165 a day! It's really getting beyond a joke. First you have to enrol your unborn child as the waiting list is that long. Then they charge ridiculously high fees – and lastly – even if you are 10 minutes late you get extra charges but when you work in a call centre, you NEVER get out on time. Let's squeeze every last cent out of those families trying to keep their heads above water."*

### ***Recommendation 6***

*The Child Care Package should ensure that families who are charged above the benchmark price are adequately subsidised for the actual cost of child care. If the Government persists with the benchmarking approach, benchmarking to the market should occur at least every 6 months to ensure the Child Care Subsidy keeps up with the marketplace, as per the 2014 Productivity Commission recommendation.*

<sup>6</sup> As indicated at <https://www.careforkids.com.au/child-care/sydney/2000> viewed 27/01/2016

<sup>7</sup> Productivity Commission Inquiry Report, Childcare and Early Childhood Learning, No. 73 (2014), 982.

### **3. Summary of Recommendations**

The FSU makes the following recommendations:

- 1)** Funding for the Jobs for Families (Child Care Package) should not be contingent on any cuts to family payments and paid parental leave.
- 2)** The Child Care Package should address the shortage of places for infants and toddlers under 2. The Package should provide an additional subsidy for under 2's.
- 3)** The proposed activity test should be revised to properly address the child care needs of families where one or both parents have insecure or irregular patterns of work.
- 4)** All children should have access to quality early childhood education, irrespective of their parent's work participation. Every child in Australia should have access to at least 15 hours per week.
- 5)** The Child Care Package must recognise that child care providers overwhelmingly bill daily rates, rather than hourly rates. The Child Care Package must be flexible enough to accommodate the needs of part time staff who work shorter working days, yet are still liable to pay a full day's child care fees.
- 6)** The Child Care Package should ensure that families who are charged above the benchmark price are adequately subsidised for their actual child care expenses. If the Government persists in benchmarking, then benchmarking to the market should occur at least every 6 months to ensure the Child Care Subsidy keeps up with the marketplace.

### **4. For Further Information**

For further information, please contact Lead Organiser, Organising and Development – Kelly Anderson via e-mail

Yours faithfully

Fiona Jordan  
National Secretary  
Finance Sector Union of Australia

