

Chapter 2

Key issues

Introduction

2.1 The Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017 (Omnibus Bill) introduces a range of measures which aim to provide a fair and reasonable safety net to the most vulnerable, encourage participation in work and study and be sustainable for future generations.¹

2.2 The Bill includes structural reform to family payments and participation measures in conjunction with significant investment in child care which will encourage and support greater workforce participation for those who have the capacity to work. By combining the child care reforms into a single Omnibus Bill with the Family Tax Benefit measures, the Government is able to reduce spending and increase workforce participation through an affordable child care system.

Family tax benefit reform

2.3 The family tax benefit reform measures contained in the Bill have been introduced in order to offset the additional expenditure on child care in the Government's Jobs for Families Child Care Package.²

2.4 In his second reading speech, the Minister for Social Services, the Hon Christian Porter MP, noted that end of year family tax benefit supplements were introduced in 2004 in order to assist families who were unable to accurately predict their annual income and faced high level of reconciliation debt each year.³ The Family Tax Benefit (FTB) Part A and FTB Part B end of year supplements will be phased out between 1 July 2016 and 1 July 2018 to enable the Government to provide more money on a fortnightly basis to families who need it most.⁴

2.5 The maximum fortnightly payment rates of FTB Part A will be increased by \$20.02 for each child in a family aged up to 19 years. An equivalent rate of increase of around \$19.37 will apply to youth allowance and disability support pension recipients aged under 18 and living at home.⁵

1 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 8 February 2017, p. 8.

2 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 8 February 2017, p. 8.

3 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 8 February 2017, p. 8.

4 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, Explanatory Memorandum (EM), p. 17.

5 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 8 February 2017, p. 8.

2.6 In recognition of a parent's increased ability to work as their children get older, FTB Part B will not be available for single parents (who are not aged over 60 or more or grandparents or great-grandparents) from 1 January of the calendar year their youngest child turns 17.⁶

2.7 While submitters and witnesses recognised the need for budget repair they also expressed concerns about the:

- impact on low income and vulnerable families such as single parents;
- the proposed increases do not compensate for the loss of end of year supplements;
- the combination of these reforms with others measures contained in the Bill;
- linkage of measures to the Job for Families Child Care Package.

Impact on low income families

2.8 A number of submitters noted that most of the recipients affected by the changes in Schedules 1-3 of the Bill would be low income families and vulnerable individuals.⁷

2.9 The Australian Council of Trade Unions (ACTU) submitted that:

The reduction in FTB Part B and abolition of end of year supplements will substantially reduce household income for low income and vulnerable families including single parents and families of children with disability and is likely to increase the number of Australian families living below the poverty line.⁸

2.10 Furthermore, the ACTU highlighted that '[u]nder these changes, 30,000 sole parents with children aged 17-19 will lose FTB-B completely – costing them \$3,186 per family per year.'⁹

2.11 The National Council of Single Mothers and Their Children also expressed concern at the impact of the measures on single mothers:

As Australia has one of the most targeted systems in the world the impact will be felt by the families who are in the greatest need. NCSMC shares the distress of the families who will be most affected, and that it is families with children over the age of 13. Ironically, the cuts hit when assistance is

6 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, EM, p. 14.

7 National Social Security Rights Network, *Submission 9*; Australian Council of Trade Unions (ACTU), *Submission 11*; Shop Distributive and Allied Employees' Association (SDA), *Submission 47*; Queensland Family and Child Commission, *Submission 25*; Barnardos Australia, *Submission 32*.

8 ACTU, *Submission 11*, p. 5.

9 ACTU, *Submission 11*, p. 5.

needed the most. We also raise our concerns for children who are finishing their secondary schooling (16+) as they will have all assistance abolished.¹⁰

2.12 The Department of Social Services has previously provided evidence that:

...these measures are to do with the sustainability of the system, as well as to encourage participation and help pay for the Jobs for Families measures. In that sense, we know that better targeting FTB B will assist the sustainability of the welfare payment system. It is considered that, as children get older, the parents' ability to participate in the workforce will increase, and these measures reflect that.¹¹

2.13 The Department of Social Services also advised that FTB entitlements are provided tax free.¹² The committee notes that Australia's welfare system provides targeted income support to those most in need, while encouraging self-provision.¹³

2.14 The National Council of Single Mothers and Their Children maintained that '[t]he reconciling of end-of-year supplements is factored into household budgets and provides a much required capacity to enable families to pay those large costs that often cannot be met within the weekly tight budget.'¹⁴

2.15 The committee notes that the original purpose of the end of year supplements was to reconcile FTB debt at the end of the financial year and that the phasing out of end of year supplements is in response to the government's investment in service delivery which has led to improved accuracy of income reporting and reduced the need for a supplement to off-set reconciliation debts.¹⁵

Combination of measures

2.16 A number of submitters and witnesses raised concerns about the impact of the family tax benefit measures in conjunction with other measures contained in the Bill such as the phasing out of the energy supplement and cessation of the pensioner education supplement and education entry payment.

2.17 The National Social Security Rights Network submitted that:

The closure of the energy supplement to new entrants, as defined in the bill, means that those new entrants will include many, many families with

10 National Council of Single Mothers and their Children, *Submission 16*, p. 4.

11 Ms Cath Halbert, Group Manager, Payments Policy Group, Department of Social Service, *Committee Hansard*, 18 February 2016, p. 42.

12 Ms Cath Halbert, Group Manager, Payments Policy Group, Department of Social Service, *Committee Hansard*, 9 March 2017, p. 64.

13 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 8 February 2017, p. 9.

14 National Council of Single Mothers and Their Children, *Submission 16*, p. 5.

15 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 8 February 2017, p. 8.

children who are also receiving family tax benefit and therefore will lose part A and part B supplements as well as the energy supplement by 2018.¹⁶

2.18 The Australian Council of Social Service (ACOSS) provided an example that a sole parent whose youngest child was over 16 years who received the maximum rate of the FTB, pensioner education supplement, education entry payment and energy supplement would lose \$106.17 per week in payments.¹⁷

2.19 The committee notes that the measures contained in this Bill were introduced to 'improve the fairness and sustainability of government payments.'¹⁸ In particular, '[t]he government wants a welfare system that supports the most vulnerable, encourages those capable of work or study to do so, reduces intergenerational welfare dependency, and is sustainable for the future.'¹⁹

Linkage to Jobs for Families Child Care Package

2.20 A number of submitters and witnesses raised concerns that family tax benefit reform measures and the Jobs for Families Child Care Package had been introduced in the same bill.²⁰

2.21 The committee notes that '[c]ombining fair and reasonable changes to the family tax benefit system and childcare reforms into a single bill enables the government to reduce spending and increase workforce participation through an affordable childcare system.'²¹

Committee view

2.22 The committee acknowledges concerns about the proposed reduction to FTB Part B payments as children grow older. The committee considers that these changes will provide an incentive for parents to re-engage with the workforce and notes that a parents' ability to engage with the workforce increases as their child grows older.

2.23 The committee acknowledges concerns about the impact of phasing out of the FTB end of year supplements. The committee notes that while a small number of families use the supplement for its original purpose to offset reconciliation debt,

16 Mr Matthew Butt, Executive Officer, National Social Security Rights Network, *Committee Hansard*, 9 March 2017, p. 4.

17 Ms Charmaine Crowe, Senior Policy and Advocacy Officer, ACOSS, answer to questions on notice, 9 March 2017 (received 15 March 2017).

18 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 8 February 2017, p. 7.

19 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 8 February 2017, p. 7.

20 See, for example: Mr Bernie Nott, Co-chair, Early Learning and Care Council of Australia, *Committee Hansard*, 9 March 2017, p. 16; Joint submission from 23 early childhood organisations, *Submission 14*, p. 1; Secretariat of National Aboriginal and Islander Child Care (SNAICC), *Submission 12*, p. 3; Community Child Care Association, *Submission 29*, p. 1.

21 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 8 February 2017, p. 7.

families now are able to estimate their income with increasing accuracy and are therefore less likely to incur debt.

2.24 The committee acknowledges concerns about linking the expected savings from the proposed family tax benefit reform to the Government's Jobs for Families Child Care Package. The committee considers that the savings for this purpose is justified and will contribute to increased workforce participation.

Jobs for Families Child Care Package

2.25 The Minister set out in his second reading speech that '[t]he Jobs for Families Child Care Package delivers genuine, much-needed reform for a simpler, more affordable, more accessible and more flexible early education and childcare system.'²² The Government is committed to investing in child care through this package which will provide parents with more choice and opportunity to work, and to provide children with high-quality early education.²³

2.26 This Bill replaces the current Child Care Benefit and Child Care Rebate with a Child Care Subsidy (CSS) which will support parents' work and family responsibilities and enable greater engagement in the workforce. Families who earn \$65 710 or less will receive the highest rate of subsidy at 85 per cent of the actual fee charged with the subsidy tapering to 20 per cent for families earning over \$340 000.²⁴

2.27 It is estimated that the reforms will encourage more than 230 000 families to increase their involvement in paid employment.²⁵

2.28 This Bill also provides an Additional Child Care Subsidy (ACCS) which will target support to families that need it most such as those experiencing temporary financial hardship or children at risk of, or subject to, neglect and abuse.²⁶

2.29 Submitters were broadly supportive of the measures included in Schedule 4 of the Omnibus Bill.²⁷ The committee heard that '[t]hese reforms will make the

22 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 8 February 2017, p. 7.

23 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 8 February 2017, p. 7.

24 Department of Education and Training, *Job for Families Child Care Package Overview*, <https://docs.education.gov.au/node/38911> (accessed 18 March 2017).

25 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 8 February 2017, p. 7.

26 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, EM, p. 21.

27 Australian Children's Education and Care Quality Authority, *Submission 6*; Joint submission from 23 early childhood organisations; *Submission 14*; Australian Childcare Alliance, *Submission 34*; Brotherhood of St Laurence, *Submission 46*, SDA, *Submission 47*.

assistance fairer. Low-income families will receive more, while subsidies for high-income families will fall.²⁸

2.30 However, submitters raised some concerns regarding the number of hours of subsidised care and the impact of the reforms on Aboriginal and Torres Strait Islander services and rural and remote services.

Hours of subsidised care

2.31 Currently eligible families can access up to 24 hours of subsidised care per week under the Child Care Benefit.²⁹

2.32 The new CSS will be subject to an activity test which aligns the hours of subsidised care with the combined hours of work, training, study or other recognised activity, providing for up to 100 hours of subsidy per fortnight. The table below sets out the hours of child care subsidy accessible per number of hours of activity.³⁰

Step	Hours of activity (per fortnight)	Maximum number of hours of subsidy (per fortnight)
1	8 hours to 16 hours	36 hours
2	More than 16 hours to 48 hours	72 hours
3	More than 48 hours	100 hours

2.33 The Bill provides that low income families (earning \$65 710 or less) that do not meet the proposed activity test may receive up to 24 hours of subsidised child care per fortnight per child.³¹

2.34 The committee heard that 12 hours of care per week (or 24 hours per fortnight) was not sufficient to encourage the hours of care to be taken over two sessions per week and that the minimum entitlement should be increased to 15 hours per week (or 30 hours per fortnight) in order for this to occur.³²

2.35 Representatives of the Early Childhood Education and Care sector advised that they were prepared to work cooperatively with the sector and the government in order to implement their recommendation of a minimum 15 hours of subsidised care

28 Mr Bernie Nott, Co-Chair, Early Learning and Care Council of Australia, *Committee Hansard*, 9 March 2017, p. 15.

29 Department of Social Services, *Family Assistance Guide*, 6 February 2017 <http://guides.dss.gov.au/family-assistance-guide/2/6/1> (accessed 17 March 2017).

30 Department of Education and Training, *Job for Families Child Care Package Overview*, <https://docs.education.gov.au/node/38911> (accessed 18 March 2017).

31 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, EM, p. 52.

32 Mr Paul Mondo, President, Australian Childcare Alliance, *Committee Hansard*, 9 March 2017, p. 18.

per week over two days.³³ Witnesses emphasised that a minimum of 15 hours could more practicably be spilt across two days and that child care providers will adapt to the needs of the community to ensure that care will be provided in multiple sessions over a two day, or even three day, period.³⁴

2.36 The committee also heard that increasing the low income threshold from \$65 710 to \$100 000 would capture the bottom 40 per cent of families who account for 56 per cent of children most likely to start school developmentally vulnerable.³⁵

2.37 Submitters from the Early Childhood Education and Care sector therefore recommended that the base entitlement be increased from the proposed 24 hours per fortnight, to 30 hours per fortnight in conjunction with an increase to the household income threshold from \$65 710 to \$100 000.³⁶

2.38 The Department of Education and Training noted that the Government is considering the proposal to increase subsidised care to 30 hours per fortnight.³⁷

Impact on Aboriginal and Torres Strait Islander services and rural and remote services

2.39 Currently the Budget Based Funding (BBF) program provides a contribution to the operational costs of certain child care facilities, early learning and school aged care services in approved locations, such as rural and remote locations.

2.40 There are approximately 300 facilities currently provided with funding through this program. The Department of Education and Training notes that:

These services are predominantly located in regional, remote and Aboriginal and Torres Strait Islander communities where the market would otherwise fail to deliver services to meet the needs of children and their families. Many are the sole providers of child care in their communities.³⁸

2.41 A 2014 review of the BBF program made eight recommendations and found that there were inconsistencies in regulatory requirements and the allocation of funding across service types and locations.³⁹

33 Mr Bernie Nott, Co-Chair, Early Learning and Care Council of Australia, *Committee Hansard*, 9 March 2017, pp. 15-16; Ms Samantha Page, Chief Executive Officer, Early Childhood Australia, *Committee Hansard*, 9 March 2017, p. 19.

34 Mr Paul Mondo, President, Australian Childcare Alliance and Ms Samantha Page, Chief Executive Officer, Early Childhood Australia, *Committee Hansard*, 9 March 2017, pp. 18-19.

35 Mr Bernie Nott, Co-Chair, Early Learning and Care Council of Australia, *Committee Hansard*, 9 March 2017, p. 15.

36 Joint submission from 23 early childhood organisations, *Submission 14*, p. 1.

37 Department of Social Services, Department of Education and Training and the Department of Employment, *Submission 7*, p. 4.

38 Department of Education and Training, *Budget Based Funding Program*, <https://docs.education.gov.au/node/35887> (accessed 19 March 2017).

39 Department of Education and Training, *Budget Based Funded Program Review Final Report*, May 2014, <https://docs.education.gov.au/node/35887> (accessed 19 March 2017).

2.42 The Department of Education and Training submitted that 'the current system of funding for these services is capped and is not able to respond to changes in communities, or the increasing number of children attending child care.'⁴⁰

2.43 The Job for Families Child Care Package proposes to replace one funding stream capped at \$61.8 million per year (the BBF program) with three funding streams:

- Child Care Subsidy;
- Additional Child Care Subsidy; and
- Community Child Care Fund (CCCF).

2.44 The committee heard that the \$110 million per annum provided by the CCCF will be inadequate to meet the needs of vulnerable families and in particular Aboriginal and Torres Strait Islander services and rural and remote families.⁴¹

2.45 The National Association of Mobile Services for Rural and Remote Families and Children (NAMS) raised concerns that mobile child care services which play a valuable role in rural and remote communities would not be able to continue to operate under the new arrangements.⁴² NAMS submitted that small community services would not have the resources or experience to secure competitive grants under the CCCF.⁴³

2.46 The Department of Education and Training assured the committee that the Government is providing tailored assistance to each BBF service so that they can continue to provide a valuable community service.⁴⁴

2.47 The committee notes that in response to stakeholder feedback the Department of Education and Training is building greater levels of flexibility into the design of the CCCF which includes a non-competitive grants process to ensure that the CCCF can be tailored to meet the needs of BBF service providers.⁴⁵

2.48 The committee notes that the BBF program is capped at \$61.8 million per year and funds services on a year to year basis. The committee sees significant benefit

40 Department of Social Services, Department of Education and Training and the Department of Employment, *Submission 7*, p. 4.

41 Ms Geraldine Atkinson, Member, Secretariat of National Aboriginal and Islander Child Care (SNAICC), *Committee Hansard*, 9 March 2017, p. 32; National Association of Mobile Services for Rural and Remote Families and Children (NAMS), *Submission 10*, p. 5.

42 Mrs Anne Bowler, Chairperson, NAMS and Ms Robyn Patterson, Vice-Chairperson, NAMS, *Committee Hansard*, 9 March 2017, pp. 36-37.

43 NAMS, *Submission 10*, p. 5.

44 Ms Jackie Wilson, Deputy Secretary, Early Childhood and Child Care, Department of Education and Training, answers to questions on notice, 9 March 2017 (received 16 March 2017).

45 Department of Social Services, Department of Education and Training and the Department of Employment, *Submission 7*, p. 5.

in the CCCF which will offer grants for three to five years and provide funding certainty to child care services.⁴⁶

2.49 Furthermore, the Department of Education and Training noted that there will be opportunities for further consultation around the final design of CCCF and particularly BBF and mobile services following the passage of legislation.⁴⁷

2.50 The committee notes concerns raised by submitters and witnesses about the removal of the BBF. However, the committee also notes evidence previously provided by the Department of Education and Training⁴⁸ that BBF is a flawed system that results in inequity, and it supports efforts to address these issues to ensure that funding is provided appropriately to all services.

2.51 The committee is encouraged that through the Jobs for Families Childcare Package, BBF services will be able to access three streams of funding.⁴⁹ The Department of Education and Training outlined that:

...BBF services will be able to access income from the Child Care Subsidy, which will increase as the number of eligible children in attendance increases. Similarly, the Additional Child Care Subsidy will support eligible families through higher subsidies, based on their individual needs. BBF services will also be able to seek supplementary, tailored sustainability funding under the Community Child Care Fund (CCCF).⁵⁰

Committee view

2.52 The committee notes that the measures in Schedule 4 of the Omnibus Bill will benefit almost one million families.⁵¹

2.53 The committee is satisfied that the Government is considering the proposal to increase the hours of subsidised care to 30 hours per fortnight and that the Department of Education and Training is working with stakeholders to transition BBF service providers to the new arrangements.

46 Ms Jackie Wilson, Deputy Secretary, Early Childhood and Child Care, Department of Education and Training, answers to questions on notice, 9 March 2017 (received 16 March 2017).

47 Department of Social Services, Department of Education and Training and the Department of Employment, *Submission 7*, p. 5.

48 Ms Jackie Wilson, Acting Secretary, Department of Education and Training, *Committee Hansard*, 4 October 2016 p. 28.

49 Department of Social Services, Department of Education and Training and the Department of Employment, *Submission 7*, p. 4.

50 Department of Social Services, Department of Education and Training and the Department of Employment, *Submission 7*, pp. 4-5.

51 Department of Social Services, Department of Education and Training and the Department of Employment, *Submission 7*, p. 4.

2.54 The committee is of the view that the Jobs for Families Child Care Package contained in this Bill will result in a fairer system, where low income families receive more help and subsidies to high income families will fall.

Paid Parental Leave

2.55 The committee notes that Schedules 17 and 18 of the Bill contain similar provisions to the Fairer Paid Parental Leave Bill 2016 (FPPL Bill).

2.56 The key variations between the provisions of the FPPL Bill and Schedules 17 and 18 of the Omnibus Bill are summarised below:

Provision	Fairer Paid Parental Leave Bill 2016	Omnibus Bill
Commencement date	The first 1 January, 1 April, 1 July or 1 October after the day the Act receives Royal Assent.	The first 1 January, 1 April, 1 July or 1 October after the end of the period of 9 months beginning on the day the Act receives Royal Assent.
Maximum period of government-funded PPL	18 weeks	20 weeks
Title of schedule	Schedule 2 – Employer opt-in	Schedule 18 - Removal of parental leave pay mandatory employer role

2.57 During its inquiry into the FPPL Bill, the committee received a number of submissions that were supportive of the proposed flexible back dating provisions, changes to the work test period and extension of the permissible break period.⁵²

2.58 The following issues were highlighted by submitters and witnesses:

- the reduction in the total number of weeks of PPL available to parents;
- the financial impact of the proposed measures on parents;
- whether the proposed savings would be counteracted by an increase in demand for childcare and the negative effect on workforce participation rates of women; and
- effect of removing employer from the paymaster role.

52 See, for example, submissions made to the inquiry into the Fairer Paid Parental Leave Bill 2016 (FPPL Bill): Queensland Nurses Union, *Submission 21*, Police Federation of Australia, *Submission 51*; Australian Christian Lobby, *Submission 58*; Australian Council of Social Service, *Submission 70*.; Professor Guyonne Kalb and Profess A. Abigail Payne, *Submission 95*; Australian Nursing and Midwifery Federation, *Submission 100*; Australian Human Rights Commission, *Submission 104*.

Number of weeks of PPL

2.59 Many submissions highlighted that some parents would receive fewer weeks of PPL under the proposed changes to the FPPL Bill.⁵³

2.60 The explanatory memorandum to the FPPL Bill explained that:

Under the new measure, parents' access to government-funded parental leave pay will be limited according to the number of weeks of employer-provided paid primary carer leave they receive, if any. This means that, where a person is entitled to employer-provided leave of less than 18 weeks, the government scheme will provide the residual number of weeks of government-funded parental leave pay up to the maximum period of 18 weeks.⁵⁴

2.61 The Omnibus Bill proposes that:

Parents will no longer receive both employer-provided paid primary carer leave (such as maternity leave pay) and the full amount of parental leave pay under the Government-provided PPL scheme. However, to offset the reduction in support this may represent for some recipients of parental leave pay, the maximum PPL period is increased from 18 to 20 weeks.

Parents who are entitled to receive employer-provided paid primary carer leave totalling at least 20 weeks at the National Minimum Wage will not receive any parental leave pay under the PPL scheme.

Parents who are entitled to receive employer-provided paid primary carer leave totalling less than 20 weeks, will continue to receive some parental leave pay under the PPL scheme, but the amount will be reduced by length of the employer-provided paid primary carer leave they receive.⁵⁵

2.62 The Australian Services Union remarked that '[d]espite the Government's "new" proposal to cap paid parental leave at 20 weeks rather than at 18 weeks, low paid workers will still lose thousands of dollars if the changes are implemented.'⁵⁶

2.63 The Shop Distributive Allied Employees Association (SDA) recognised that 'the increase from 18 to 20 weeks PLP [Parental Leave Payment] represents an increase for many employees, however, the overall impact of the Bill will results in a

53 See, for example, submissions made to the inquiry into the FPPL Bill: National Foundation for Australian Women, *Submission 27*; Catholic Commission for Employment Relations, *Submission 33*; Victorian Women's Trust, *Submission 35*; Australian Nursing and Midwifery Federation (Victorian Branch), *Submission 43*; South Australian Premier's Council for Women, *Submission 57*; Northern Territory Anti-Discrimination Commission, *Submission 64*; Work and Family Policy Roundtable, *Submission 97*; Australian Nursing and Midwifery Federation (South Australian Branch), *Submission 101*.

54 Fairer Paid Parental Leave Bill 2016, EM, p. 2.

55 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, EM, p. 173.

56 Australian Services Union, *Submission 23*, [p. 1].

cut and fundamentally contradicts the objectives of the current Paid Parental Leave scheme.⁵⁷

2.64 During the inquiry into the FPPL Bill, submitters raised a number of concerns regarding the impact of limiting PPL to 18 weeks including the maternal and infant health impacts, employers restructuring their PPL schemes in response to the Bill and Australia's comparatively low amount of PPL when compared to other member states of the Organisation for Economic Co-operation and Development (OECD).⁵⁸

2.65 Submitters noted that these same concerns apply to a maximum PPL period of 20 weeks as proposed in the Omnibus Bill.⁵⁹

Health impacts

2.66 A number of submitters noted that the World Health Organization recommends that mothers spend a minimum of 26 weeks recovering from childbirth and that infants be exclusively breastfed for the first 26 weeks after birth.⁶⁰ Submitters were therefore concerned that this recommendation would not be achievable if PPL was limited to 18 or 20 weeks as proposed by the bills and that this would have a negative impact on the health of mothers and their children.

2.67 The Australian Council of Trade Unions (ACTU) noted that:

Capping access to PPL at 18 weeks will have a detrimental effect on maternal health and wellbeing, reduce the capacity of mothers and infants to bond effectively and decrease the proportion of women that breastfeed six months after birth.⁶¹

57 SDA, *Submission 47*, p. 7.

58 See, for example, submissions made to the inquiry into the FPPL Bill: Community and Public Sector Union PSU Group, *Submission 47*; Shop Distributive and Allied Employees' Association, *Submission 52*; YWCA Adelaide, *Submission 61*; Australian Council of Trade Unions, *Submission 68*; Australian Nursing and Midwifery Federation (South Australian Branch), *Submission 101*.

59 See, for example: Australian Council of Social Service, *Submission 13*, p. 8; Queensland Nurses Union, *Submission 19*, pp. 1-2, YWCA Adelaide, *Submission 36*, p. 1; The Parenthood, *Submission 105*, FPPL Bill, p. 3; ACROSS, *Submission 70*, FPPL Bill, p. 2; Women and Family Policy Roundtable, *Submission 97*, FPPL Bill, p. 10.

60 See, for example, submissions made to the inquiry into the FPPL Bill: Australian Education Union, *Submission 46*; Community and Public Sector Union PSU Group, *Submission 47*; Shop Distributive and Allied Employees' Association, *Submission 52*; YWCA Adelaide, *Submission 61*; Australian Council of Trade Unions, *Submission 68*, Australian Nursing and Midwifery Federation (Tasmania Branch), *Submission 106*.

61 See, for example, submissions made to the inquiry into the FPPL Bill: Australian Council of Trade Unions, *Submission 68*, p. 9; See also: Diversity Council Australia, *Submission 32*; Victorian Women's Trust, *Submission 35*; Health Workers Union, *Submission 39.1*; Australian Nursing and Midwifery Federation (Victorian Branch), *Submission 43*; Australian Services Union, *Submission 49*; Shop Distributive and Allied Employees' Association, *Submission 52*; Finance Sector Union, *Submission 66*; Joint submission: Equality Rights Alliance and 28 other organisations, *Submission 93*.

2.68 The committee heard the personal experience of a member of the Police Federation of Australia:

I know from previous experience with my first two children that breastfeeding once I return to work became extremely difficult—[...] the thought of having to have that cease at potentially 4½ or five months of age, which is certainly well below any health recommendations, would have been extremely detrimental to her, to our family and to my wellbeing.⁶²

Employer funded PPL schemes

2.69 Some submitters questioned whether the proposed amendments may lead to employers changing the structure of their employer-funded PPL schemes or result in employer's removing them all together.

2.70 The Australian Chamber of Commerce and Industry acknowledged that 'private sector employers will likely seek to restructure the benefits they offer in a way that complements the amended government-funded scheme, so as to enable their employees to continue to receive the government-funded parental leave payments.'⁶³

2.71 The committee also heard evidence from the ACTU that other unions had indicated to them that some employer groups were anticipating the Bill's proposed changes and moving towards reducing their PPL schemes through bargaining processes.⁶⁴

2.72 The Department of Social Services made the point that some groups had predicted that employers would withdraw their PPL schemes after the introduction of the government-funded PPL scheme in 2010. However, the PPL evaluation showed that 83 per cent of employers made no changes to their scheme and no employer completely removed their scheme.⁶⁵

Parental leave period

2.73 Professor Marian Baird of the University of Sydney Business School emphasised the importance that Australia's PPL scheme does not go backwards and argued that the scheme should be improved.⁶⁶

2.74 The PPL scheme has had the greatest impact on mothers who were on lower incomes, self-employed or causally employed and that the provision of government-funded PPL significantly extended the time they took off work after the birth of their child.⁶⁷ However, mothers on higher incomes did not significantly change the amount

62 Mrs Kelly Merlo, Member, Police Federation of Australia, *Committee Hansard*, 1 February 2017, p. 38.

63 Australian Chamber of Commerce and Industry, *Submission 58*, FPPL Bill [p. 2].

64 Mrs Gerardine Kearney, President, Australian Council of Trade Union, *Committee Hansard*, 1 February 2017, p. 43.

65 Ms Roslyn Baxter, Group Manager, Families Group, *Committee Hansard*, 1 February 2017, pp. 68-69.

66 Professor Marian Baird, *Committee Hansard*, p. 7.

67 Department of Social Services, *Submission 48*, FPPL Bill, p. 4.

of leave they took after the birth of their child following the introduction of government-funded PPL.⁶⁸

2.75 This has been cited as a key driver for these measures which aims to maintain the positive outcomes of the PPL scheme while also making it fairer by better targeting the government-funded scheme to families without access to comprehensive employer-provided PPL.⁶⁹

2.76 A number of submitters pointed out that Australia's PPL scheme offered a relatively low number of weeks of PPL compared to other OECD countries.⁷⁰ The Workplace Gender Equality Agency (WGEA) acknowledged that a comparison of parental leave payments is difficult due to the different types of leave entitlements used by different countries and difficulties accessing the relevant data.⁷¹ Accounting for these difficulties, the WGEA advised that Australia's full-rate equivalent weekly parental leave payment is one of the lowest in the OECD.⁷²

2.77 Currently Australia offers 18 weeks of government-funded PPL compared to the OECD average of 54.1 weeks.⁷³ However, Australia's total public expenditure on family benefits as a percentage of Gross Domestic Product (GDP) exceeds the OECD average of 2.4 per cent of GDP totalling 2.8 per cent of GDP.⁷⁴

2.78 The committee also heard that in many OECD countries the amount of PPL offered initially has been modest and has slowly built up over time following evaluation, discussion and cross-party consideration of evidence available.⁷⁵ For example, since the 1980's Germany's PPL scheme has undergone significant change, from a minimal payment over a three year period to a more generous amount over 12 months.

2.79 The committee noted evidence from Professor Andrew Scott of Deakin University who recalled that Sweden's PPL scheme was introduced in 1974 and now offers 16 months PPL, however, 'even in Sweden, it was a gradual, incremental process of building up these entitlements.'⁷⁶

68 Department of Social Services, *Submission 48*, FPPL Bill, p. 4.

69 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 20 October 2016, p. 2687.

70 See, for example, submissions made to the inquiry into the FPPL Bill: Community and Public Sector Union PSU Group, *Submission 47*; Shop Distributive and Allied Employees' Association, *Submission 52*; South Australian Premier's Council for Women, *Submission 57*; YWCA Adelaide, *Submission 61*; Australian Nursing and Midwifery Federation (South Australian Branch), *Submission 101*.

71 Workplace Gender Equality Agency (WGEA), *Submission 98*, FPPL Bill, p. 8.

72 WGEA, *Submission 98*, FPPL Bill, p. 9.

73 WGEA, *Submission 98*, FPPL Bill, p. 9.

74 WGEA, *Submission 98*, FPPL Bill, p. 8.

75 Professor Andrew Scott, *Committee Hansard*, 1 February 2017, p. 9.

76 Professor Andrew Scott, *Committee Hansard*, 1 February 2017, p 6-7.

Financial impact

2.80 A number of submitters raised concerns about the financial impact on parents who would no longer receive government-funded PPL or parents who would receive a partial amount of government-funded PPL.⁷⁷

2.81 Further analysis undertaken by the Department of Social Services of the PPL evaluation survey data showed that:

those mothers with higher incomes are more likely to have access to primary carer pay and that mothers who were on lower incomes, self-employed or casually employed were less likely to have access to primary carer pay.⁷⁸

2.82 The WGEA noted that 48 per cent of organisations in Australia offered paid PPL for primary carers in 2015-16.⁷⁹

2.83 In its submission on the Omnibus Bill, the Department of Social Services noted that approximately 2 per cent, or 4000 recipients, would no longer be eligible for government-funded PPL. Approximately 53 per cent of eligible parents do not have access to employer-provided paid primary carer leave and will continue to receive the full benefit of the PPL scheme and will receive an additional two weeks of PPL under the Omnibus Bill.⁸⁰

Impact of proposed savings

2.84 Many submitters questioned whether the indicative savings of the Bill would be counteracted by an increase in families seeking child care for infants as a result of mothers returning to work earlier than under the current PPL scheme.⁸¹ The Community and Public Sector Union PSU Group noted that 'the savings outlined in the forward estimates do not take into account the additional pressures that will be placed on the child care system.'⁸²

2.85 The SDA cited a report of the Productivity Commission that the cost of providing childcare for children aged 0-2 years is twice as costly as that of a child aged 3-5 years due to higher staff ratios.⁸³

77 See, for example, submissions made to the inquiry into the FPPL Bill: National Foundation for Australian Women, *Submission 27*, [pp 3-4]; SDA, *Submission 52*, pp 13-15; University of Sydney Business School Women and Work Research Group, *Submission 65*, p. 5; The Parenthood, *Submission 105*, p. 3.

78 Department of Social Services, *Submission 48*, FPPL Bill, p. 4.

79 Workplace Gender Equality Agency, *Submission 98*, FPPL Bill, p. 12.

80 Department of Social Services, Department of Education and Training and the Department of Employment, *Submission 7*, p. 17.

81 See, for example, submissions made to the inquiry into the FPPL Bill: Community and Public Sector Union PSU Group, *Submission 47*; Australian Services Union, *Submission 49*; Finance Sector Union, *Submission 66*; Australian Council of Trade Unions, *Submission 68*.

82 Community and Public Sector Union PSU Group, *Submission 47*, FPPL Bill, p. 20.

83 Shop Distributive Allied Employees Association, *Submission 52*, FPPL Bill, p. 20.

2.86 The Australian Services Union was concerned that use of the child care rebate provided by the Government would increase under the Bill.⁸⁴ The committee also heard from The Parenthood that '[e]ffectively you have families starting out in the child-care sector sooner and therefore for longer and therefore requiring greater subsidy payments from the government in order to pay for that.'⁸⁵

2.87 The Department of Social Services noted that it is unlikely that the proposed changes to the PPL scheme would result in an increase in the use of childcare and that analysis undertaken by the Productivity Commission suggested that any effects would be modest.⁸⁶

2.88 Furthermore, the Department of Social Services informed the committee that '[l]ower income women, who are more likely to have access only to the Government scheme, will receive an additional two weeks of Paid Parental Leave and are therefore more likely to delay child care as their paid leave will be increased.'⁸⁷

2.89 The Australian Human Rights Commission (AHRC) expressed the view that the measures under the Bill may be detrimental to women's workforce participation rates. The AHRC cited research that if a period of parental leave is too short, participation rates decrease as women are forced out of the labour market.⁸⁸

2.90 Australian Sex Discrimination Commissioner, Ms Kate Jenkins, noted that 'there is no analysis of the cost to the budget of the bill's impact on women's workforce participation and economic security and the flow-on impact of this on the broader economy.'⁸⁹ Ms Jenkins submitted that:

In my view, the unintended consequences of the bill may be to reduce women's connection with the workplace, reduce their workforce participation, reduce their economic security and also reduce collaboration between government and business to address this significant problem. The actual impact on the budget of this bill would require detailed economic modelling, which accounts for all of the resulting costs of the immediate saving.

Removal of the employer paymaster role

2.91 Submissions were divided on whether the removal of the employer from the paymaster role would have a negative impact on recipients of PPL. Submitters argued

84 Australian Services Union, *Submission 49*, FPPL Bill, p. 7.

85 Ms Jo Briskey, Executive Director, The Parenthood, *Committee Hansard*, 1 February 2017, p. 14.

86 Department of Social Services, answers to questions on notice, 9 March 2017 (received 16 March 2017).

87 Department of Social Services, answers to questions on notice, 9 March 2017 (received 16 March 2017).

88 Australian Human Rights Commission, *Submission 104.1*, FPPL Bill, p. 5.

89 Ms Kate Jenkins, Sex Discrimination Commissioner, Australian Human Rights Commission, *Committee Hansard*, 1 February 2017, p. 56.

that removing the employer from the paymaster role would alleviate a costly administrative burden whereas other submitters were concerned that the perception of PPL and a parent's relationship with their employer would be negatively impacted.⁹⁰

2.92 Some submissions argued that if the payment of PPL is made by the Department of Human Services, rather the employer, then employees will lose a connection with their employer and workplace and that the scheme will be viewed as a welfare payment.

2.93 Professor Guyonne Kalb and Professor Abigail Payne of the Melbourne Institute of Applied Economic and Social Research, argued that removing the employer from the paymaster role would weaken the relationship between the employer and employee during parental leave.⁹¹ In addition, Professors Kalb and Payne were concerned that payment of PPL by the Department of Human Services would result in employers and employees perceiving PPL as a welfare payment rather than a work entitlement.⁹²

2.94 The committee heard similar evidence from Professor Marian Baird of the University of Sydney Business School, who advised the results of the PPL evaluation's survey of employers:

I also want to reiterate that our evaluation of employers—and this is a unique evaluation because very few countries have had the opportunity to do that—found that they adapted very quickly to their role as pay administrator. The costs were minimal, and they have embedded those new systems now, so there is really no reason to remove that or to remove their role altogether.⁹³

2.95 The Australian Chamber of Commerce and Industry disagreed with this view, stating that the 'Australian Chamber considers the existing paymaster obligations to be imbalanced, unjustifiably imposing a significant compliance burden on employers.'⁹⁴

2.96 For example, the committee heard evidence that administering the employer paymaster role was a burden on community pharmacies and was both costly and time consuming for small businesses.⁹⁵

90 See, for example, submissions made to the inquiry into the FPPL Bill: Community and Public Sector Union PSU Group, *Submission 47*; Pharmacy Guild of Australia, *Submission 56*; Australian Chamber of Commerce and Industry, *Submission 59*; Finance Sector Union, *Submission 66*; Australian Council of Trade Union, *Submission 68*; Professor Guyonne Kalb and Profess A. Abigail Payne, *Submission 95*; Australian Nursing and Midwifery Federation, *Submission 100*; Australian Human Rights Commission, *Submission 104*.

91 Professor Guyonne Kalb and Professor Abigail Payne, *Submission 95*, FPPL Bill, p. 2.

92 Professor Guyonne Kalb, *Committee Hansard*, p. 3.

93 Professor Marian Baird, *Committee Hansard*, p. 7.

94 Australian Chamber of Commerce and Industry, *Submission 59*, FPPL Bill, [p. 1].

95 Mr Scott Harris, Workplace Relations Manager, Pharmacy Guild of Australia, *Committee Hansard*, p. 22.

2.97 Mr Lodhia, a member of the Pharmacy Guild of Australia, advised the committee that in his experience, administering the payment of PPL cost between \$1000 and \$2000 per year for approximately 50 employees.⁹⁶

2.98 The Department of Social Services noted that the removal of employers from the paymaster role would 'reduce red tape and ease administrative burden on employers.'⁹⁷ Furthermore, it is estimated that that the average annual reduction in compliance costs on business will be \$44 million.⁹⁸

Committee view

2.99 The committee acknowledges submitter's concerns regarding the health impacts on mothers and their child and reports that employers may change their employer-funded PPL schemes. The committee notes that the objective of the Act will remain the same and that government-funded PPL is intended to complement and supplement existing employer-funded entitlements.

2.100 The committee acknowledges that Australia's PPL scheme was introduced in 2010 and is still in its infancy. The committee notes that the PPL evaluation shows that the introduction of 18 weeks of government-funded PPL has had a significant impact on parents, especially those on lower incomes.

2.101 The committee acknowledges concerns that the removal of employer from the paymaster role may have an impact on an employee's connection with their workplace and notes that provisions in the *Fair Work Act 2009* provide an employee on unpaid parental leave with 10 keeping in touch days for employees to maintain a relationship with their employer and workplace and assist their return to work after parental leave.⁹⁹

2.102 The committee notes that the proposed amendments to remove the mandatory employer paymaster role is in response to feedback received during the PPL review and is satisfied that these amendments will ease administrative burden on business.

2.103 The committee notes that under this Bill, over half of families who are currently eligible for PPL will receive two additional weeks of PPL totalling 20 weeks of government-funded PPL and that these recipients are low income mothers who are more greatly advantaged through the provision of PPL.

2.104 The committee is satisfied that the Bill continues to provide a safety-net to parents and maintains the shared responsibility of employers and government in combining to provide adequate PPL.

96 Mr Jayesh Lodhia, Pharmacist Member, Pharmacy Guild of Australia, *Committee Hansard*, 1 February 2017, p. 25.

97 Department of Social Services, *Submission 48*, FPPL Bill, p. 2.

98 Department of Social Services, Department of Education and Training and the Department of Employment, *Submission 7*, p. 18.

99 Fair Work Ombudsman, *Keeping in touch days*, <https://www.fairwork.gov.au/leave/maternity-and-parental-leave/when-on-parental-leave/keeping-in-touch-days> (accessed 20 March 2017).

Concluding view

2.105 While acknowledging the concerns identified by submitters and witnesses the committee considers that these changes to Australia's welfare system will better target government payments whilst still providing a fair and reasonable safety net for those who need it.

2.106 The committee notes that the measures in this Bill will encourage and support greater workforce participation for those who have the capacity to work and will therefore ensure that Australia's welfare system is sustainable in the future.

Recommendation 1

2.107 The committee recommends that the Bill be passed.

Senator Jonathon Duniam

Chair

