

The Senate

Education and Employment
Legislation Committee

Schedules 6 and 9 of the Social Services and
Other Legislation Amendment Bill 2013
[Provisions]

December 2013

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RECOMMENDATIONS

Recommendation 1

2.29 The committee recommends that the Senate pass the measures contained in Schedules 6 and 9 of the bill.

CHAPTER 1

Reference

1.1 On 5 December 2013 the Senate referred Schedules 6 and 9 of the Social Services and Other Legislation Amendment Bill 2013 for inquiry and report by 12 December 2013.¹

Conduct of inquiry

1.2 The committee contacted a number of organisations inviting submissions to the inquiry. Submissions were received from 5 organisations, as detailed in Appendix 1.

1.3 A public hearing was held in Canberra on 9 December 2013. The witness list for the hearing is at Appendix 2.

Background

1.4 Broadly, Schedules 6 and 9 propose to:

- Establish student start-up loans of up to \$1 025, repayable under similar arrangements to Higher Education Loan Program (HELP) debts; and
- Continue indexation pauses on family tax benefits, parental leave pay, and Dad and Partner pay; and
- Extend the annual child care rebate limit at \$7 500 for three years from 1 July 2014.

Overview of the bill

1.5 The bill was introduced in the House of Representatives by the Hon Kevin Andrews MP, on 20 November 2013.² The bill proposes to implement government commitments with respect to gambling reform as well as payments made by the Commonwealth to parents, families, students and overseas residents.³

Schedule 6

1.6 The Schedule proposes to amend the *Social Security Act 1991* and the *Student Assistance Act 1973* to provide for student start up loans from 1 January 2014⁴ to replace the existing start-up scholarships, originally introduced in 2010.⁵ The total

1 *Journals of the Senate*, 2013, pp 245–246.

2 *Votes and Proceedings*, 2013, p. 106.

3 House of Representatives, *Hansard*, 20 November 2013, p. 8.

4 Revised Explanatory Memorandum, p. 26.

5 Bills digest *Social Security and Other Legislation Amendment Bill 2013*, p. 28.

amount payable is \$2 050 per year, in two half yearly instalments⁶ and as at 31 August 2012, 180 872 students had received both payments for 2012, and a further 56 580 had received one.⁷

1.7 The loans proposed in the bill would be income contingent and would also be repayable under similar arrangements to HELP debts.⁸ Students would repay the student start up loans once their HELP debt has been repaid in full.⁹

1.8 The Schedule proposes that administration and eligibility would be consistent between the scholarship and the loans, through the use of provisions otherwise contained in the *Social Security Act*, and the *Student Assistance Act*.¹⁰ With respect to repayments, consistency with HELP repayments is ensured through the use of similar provisions to those found in the *Higher Education Support Act 2002*.

Schedule 9

1.9 Schedule 9 would extend indexation pauses on higher income limits for three additional years, until 30 June 2017.¹¹

1.10 The Schedule affects eligibility for the primary earner income limit for family tax benefits Parts A and B, parental leave and dad and partner pay.¹² The Schedule also would maintain the annual child care rebate at \$7 500 for an additional three income years starting from 1 July 2014.¹³

Compatibility with human rights

1.11 The Statement of Compatibility with Human Rights (the Statement) states that there is limited engagement of human rights as set out in Schedules 6 and 9:¹⁴

- The right to equality and non-discrimination;
- The rights of the child; and
- The rights to social security.

6 Department of Human Services, *Student start-up scholarship*, <http://www.humanservices.gov.au/customer/services/centrelink/student-start-up-scholarship>, (accessed 10 November 2013).

7 Senate Economics Legislation Committee, Answers to Questions on Notice, Industry, Innovation, Science, Research and Tertiary Education Portfolio, Supplementary Budget Estimates 2012-13, Question SI-127, 17 October 2012

8 Revised Explanatory Memorandum, p. 26.

9 Revised Explanatory Memorandum, p. 26.

10 Revised Explanatory Memorandum, p. 26.

11 Revised Explanatory Memorandum, p. 63.

12 Revised Explanatory Memorandum, p. 63.

13 Revised Explanatory Memorandum, p. 63.

14 Statement of Compatibility with Human Rights, p. 15.

Right to equality and non-discrimination

1.12 The Explanatory Memorandum maintains that while Schedule 6 establishes an ABSTUDY start-up loan (to recipients of Aboriginal and Torres Strait Islander descent) an equivalent loan will be established to non-indigenous recipients of Austudy and youth allowance.¹⁵ As discussed previously, the provisions in the Schedule mirror those found in existing legislation.

1.13 The Statement contends that Schedule 6, if enacted, would result in 'no effective distinction between Indigenous and non-Indigenous recipients of the loans.'¹⁶

1.14 The Statement also submits that:

To the extent that they may have limited adverse impact on a person's access to education, social security, an adequate standard of living or the right to equality and non-discrimination, the limitation is reasonable, proportionate to the policy objective and for legitimate reasons.¹⁷

Rights of the child

1.15 The Statement also notes that the rights of the Child, contained in the Convention on the Rights of the Child require that the best interests of the child shall be a primary consideration.¹⁸ The Statement suggests that Schedule 9 does not limit those rights as it would maintain the provision of payments to assist in child care affordability, if enacted.¹⁹

Right to social security

1.16 Schedule 9 also engages the right to social security, as contained in the International Covenant on Economic, Social and Cultural Rights (ICESCR) and the Convention on the Rights of the Child, recognising requirements for families and children to benefit from social security.²⁰ Any removals of social security entitlements must be justified, and persons may not be subject to arbitrary and unreasonable restrictions of existing social security coverage.²¹

1.17 The Statement submits that the government considers that the continuation of the previous government's cap on child care rebate payments and the indexation pause

15 Statement of Compatibility with Human Rights, p. 20.

16 Statement of Compatibility with Human Rights, p. 15.

17 Statement of Compatibility with Human Rights, p. 15.

18 Statement of Compatibility with Human Rights, pp 20–21.

19 Statement of Compatibility with Human Rights, pp 20–21.

20 Statement of Compatibility with Human Rights, pp 20–21.

21 Statement of Compatibility with Human Rights, pp 20–21.

is reasonable,²² necessary and appropriate as the measure is 'in the interest of the general public and Australia's economic position.'²³

1.18 With respect to Schedule 9, the Statement submits that the engagement of the rights of the child and social security are 'reasonable, necessary and appropriate to achieving a legitimate aim.'²⁴

Committee view

1.19 The committee accepts the detail of the Statement of Compatibility with Human Rights, and agrees that the engagement of the rights is appropriate, and the limitations are reasonable, necessary and proportionate.

Financial Impact Statement

1.20 The Explanatory Memorandum submits that the Schedules 6 and 9 will have a financial impact, resulting in savings of \$1, 214 million over five years and \$105.8 million over three years respectively.²⁵

Consideration by the human rights and scrutiny committees

1.21 The bill has been considered by the Parliamentary Joint Committee on Human Rights. The Senate Standing Committee for the Scrutiny of Bills has considered the bill and did have one comment in relation Schedule 5.²⁶

Acknowledgement

1.22 The committee thanks those individuals and organisations who contributed to the inquiry by preparing written submissions and giving evidence at the hearing.

Notes on references

1.24 References in this report to the *Hansard* for the public hearing are to the *Proof Hansard*. Please note that page numbers may vary between the proof and the official transcripts.

22 Statement of Compatibility with Human Rights, pp 20–21.

23 Statement of Compatibility with Human Rights, pp 20–21.

24 Statement of Compatibility with Human Rights, pp 20–21.

25 Explanatory Memorandum, Social Security and Other Legislation Amendment Bill 2013, p. 5.

26 Standing Committee for the Scrutiny of Bills, Alert Digest 8/13, p. 47.

CHAPTER 2

Schedule 6 – Student start-up loans

Introduction

2.1 The key purpose of Schedule 6 of the bill is to convert the current student start-up scholarship payments into income-contingent loan payments. These loans will be repayable under similar arrangements to HELP debts and will only be required to be repaid after their HELP debt has been settled.¹

2.2 The committee received submissions from three higher education stakeholders: the National Tertiary Education Union (NTEU), the Council of Australian Postgraduate Associations (CAPA) and the National Union of Students (NUS).

2.3 The three submitters were broadly critical of the bill on the grounds that it would increase student debt, and as a consequence, increase the barriers to further education for students.² They argued that the impact would be most keenly felt by students from low socio-economic backgrounds.

Legislation and Policy Background

2.4 The previous government introduced student start-up scholarships in 2010 through the *Social Security and Other Legislation Amendment (Income Support for Students) Act 2010* as part of the implementation of the Bradley Review.³ The Bradley Review recommended that Commonwealth Government 'Continue and enhance the Commonwealth Scholarships program by providing benefits to all eligible students on Austudy or Youth Allowance for education costs'.⁴

2.5 The eligibility criteria for accessing a Student Start-up Scholarship set out by the Department of Human Services is that the student must be:

- studying full-time in an approved scholarship course
- receiving ABSTUDY Living Allowance, Austudy, or Youth Allowance as a full-time student

1 Revised Explanatory Memorandum, p. 26.

2 See for example: National Tertiary Education Union, *Submission 1*; Council of Australian Postgraduate Associations, *Submission 3*.

3 A Biggs, L Buckmaster, C Ey and M Klapdour, *Social Services and Other Legislation Amendment Bill 2013*, Bills digest, 29, 2013–14, Parliamentary Library, Canberra, 10 December 2013, p. 24, accessed November 2013.

4 Bradley Review, *Recommendation 5*, p. xix, available at: http://www.innovation.gov.au/HigherEducation/Documents/Review/PDF/Higher%20Education%20Review_Executive%20summary%20Recommendations%20and%20findings.pdf accessed 10 December 2013.

- receiving at least \$1 of Youth Allowance or Austudy basic benefit or ABSTUDY Living Allowance in the fortnight in which a scholarship is payable, i.e. you must be receiving more than just the Pharmaceutical Allowance and Rent Assistance component of Youth Allowance, Austudy or ABSTUDY⁵

2.6 The NUS contended that the scholarships had made a tangible difference to those on benefits and that the conversion to a loan system would cause difficulties for them:

Many students on income support face the dilemma of either living in poverty or doing excessive paid work during the semester that affects their study and may lead to eventual preclusion or withdrawal. In these circumstances the start up scholarships have provided an important circuit breaker at the start of each semester so that students do not skimp on essential study costs.⁶

2.7 In evidence to the committee the Department of Social Security pointed out that the policy decision to convert the scholarships to loans was in train before the election and included in the 2013-14 Budget. A statement from the then Minister for Tertiary Education, Skills, Science and Research, announced the conversion of this scholarship to a loan as part of a suite of efficiency measures across the higher education portfolio:

Conversion of student start-up scholarships into a loan, repayable along with students' university fees after students are earning a specified level of income.⁷

2.8 The Department of Social Security also emphasised that current recipients of the scholarships would not be disadvantaged by this measure because the bill provides for:

grandfathering arrangements so that recipients who received a student start-up scholarship or Commonwealth Education Costs Scholarship prior to 1 January 2014, and have remained continuously on student payments, will continue to be eligible to receive the student start-up scholarship, as a grant, until coming off student payments.⁸

Budget savings

2.9 The government Financial Impact Statement identifies savings of \$1,214 million over five years.⁹ This comprises savings to expenditure through the removal of payments to students. However there are other costs which may impact of this

5 Department of Human Services website, *Student Start-up Scholarship*, <http://www.humanservices.gov.au/customer/services/centrelink/student-start-up-scholarship#a5> accessed 10 December 2013.

6 National Union of Students, *Submission 4*, p. 2.

7 Emerson, C. (Minister for Tertiary Education, Skills, Science and Research), *Statement*, media release, 13 April 2013, accessed 10 December 2013.

8 Revised Explanatory Memorandum, p. 25.

9 Revised Explanatory Memorandum, p. 5.

figure such as the non-repayment of HELP debt and discrepancies between how the HELP debt is indexed and the cost of the government bond rate:

The outstanding loan amounts that will replace the outlays are shown as assets in the Government's financial statements, but the stated asset value does not reflect its true value. Firstly, the Government estimates that by 2016–17, 22 per cent of new HELP debt is not expected to be repaid. Given that debtors will not begin to repay the new SSL debt until after they have paid off their HELP debt, the default rates for these new loans would be expected to be even higher.

In addition, the SSL debt is indexed in line with the CPI, which is lower than the notional cost of government borrowing—the bond rate. The estimated average time for repayment of HELP debt is currently 8.6 years and expected to rise to 9.1 years for new debt in 2016–17. Therefore, the SSL debt will not begin to be repaid for an average of around nine years and is expected to take about two years to be repaid. At present, the CPI is 2.2 per cent per annum, while government 10 year bonds have an interest rate around 4.0 per cent. If these rates continued over a ten year period, the result is a difference in the loan repayment amount of nearly 20 per cent, which effectively represents lost government revenue.¹⁰

2.10 The NUS also claimed that the Bradley Review, commissioned by the previous government, had recommended that the introduction of the scholarships was to be paid for through other budget savings, so the conversion of them to loans is a further cut to student income support:

The Start Up Scholarships were not the product of increased Commonwealth funding for student income support. The Bradley Review, which developed the proposal had been instructed that the changes had to be budget neutral. The funding for the Start Up scholarships came from cutbacks to other parts of the student income support program, most notably restrictions to students qualifying for income support through working in a gap year. The conversion of the scholarships to loans is in effect a double cut to student income support.¹¹

Impact on different groups

2.11 The Explanatory Memorandum states that to qualify for a student start-up loan, each of the following must occur at the same time:

- the person is qualified for youth allowance or austudy payment;
- youth allowance or austudy payment is payable to the person;
- the person is receiving youth allowance or austudy payment;

10 A Biggs, L Buckmaster, C Ey and M Klapdour, *Social Services and Other Legislation Amendment Bill 2013*, Bills digest, 29, 2013–14, Parliamentary Library, Canberra, 10 December 2013, p. 25, accessed November 2013.

11 National Union of Students, *Submission 4*, p. 2.

- the person is receiving part of the basic rate component of youth allowance or austudy payment, or youth disability supplement (that is, the person is not receiving only that component of youth allowance or austudy payment that consists of pharmaceutical allowance and rent assistance);
- the person is receiving youth allowance or austudy payment because the person is enrolled in an approved scholarship course;
- the Secretary is satisfied that the person is not likely to receive the amount or value of a Commonwealth Education Costs Scholarship in the period of six months starting immediately after the time: and
- at the time of qualification, the person has notified their tax file number to the Secretary and the Secretary has verified the person's tax file number or obtained the correct tax file number.¹²

2.12 Submitters expressed concerns about the increased indebtedness of students as a result of the changes proposed in this bill. The NTEU contend that this will have a disproportionate impact of students from disadvantaged backgrounds as they are largely eligible under the criteria:

By definition, the only students eligible to convert Student Start-up Scholarships to loans are those eligible for some form of student income support in the form of *Youth Allowance*, *Austudy* or *ABSTUDY*, and as such are students who are already financially disadvantaged....

The result will be that the students from the most disadvantaged backgrounds, who are reliant on the start-up funds in order to be able to study, will graduate with a higher level of debt than students whose families are in a position to support them financially while they study. It is difficult to rationalise how burdening our most disadvantaged students with additional debt will act as anything but a disincentive to participate in higher education.¹³

2.13 The committee notes that applications for higher education places continue to rise. Universities Australia reports that as of 22 February 2013, 'there were 273 878 applications made through Tertiary Admissions Centres (TACs), an increase of 0.5% compared with the same time in 2012. This follows an increase of 2.7% between 2011 and 2012'.¹⁴ The committee received no evidence to suggest that this measure will negatively impact that trend.

12 Revised Explanatory Memorandum, p. 29.

13 National Tertiary Education Union, *Submission 1*, p. 2.

14 Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education, *The Demand Driven System: Undergraduate Applications and Offers, February 2013*, p. 4. Available at: <http://www.innovation.gov.au/highereducation/ResourcesAndPublications/HigherEducationPublications/HigherEducationReports/Documents/UndergraduateApplicationsOffers2013.pdf>, accessed 11 December 2013.

Committee view

2.14 The committee considered many of the points submitted to it and accepts that student indebtedness is an issue that requires continual oversight. However the committee did not receive any evidence to suggest that university, or other higher education enrolments would be adversely affected by the measures introduced in this bill.

2.15 Moreover the fact that these measures were introduced by the previous government and the savings foreshadowed in the 2013-14 budget documents is strong evidence that savings to the budget as a whole, while ensuring a strong and viable further education sector, is crucial in maintaining world class higher education in Australia.

Schedule 9 – Indexation

Community Affairs Legislation Committee inquiry

2.16 On 5 December 2013 the Senate referred Schedules 1, 3 to 5, 7 to 8 and 10 to 12 of the Social Services and Other Legislation Amendment Bill 2013 for inquiry and report to the Community Affairs Legislation Committee.¹⁵ That committee conducted public hearings on 9 and 10 December 2013 and a report into those Schedules may be of interest to readers.

Legislative and Policy History

2.17 Family Tax Benefits A and B upper-income limits have not been adjusted since July 2008.¹⁶ The Family Tax Benefit (FTB) Supplements were frozen for three years from 2011-2012.¹⁷ The Child Care Rebate (CCR) cap was reduced from \$7 941 to \$7 500 in 2011-2012.¹⁸

2.18 Schedule 9 affects eligibility for the primary earner income limit for family tax benefits Parts A and B, parental leave and dad and partner pay. The Schedule also proposes to maintain the annual child care rebate at \$7 500 for an additional three income years starting from 1 July 2014.¹⁹

15 *Journals of the Senate*, 2013, pp 245–246.

16 A Biggs, L Buckmaster, C Ey and M Klapdour, *Social Services and Other Legislation Amendment Bill 2013*, Bills digest, 29, 2013–14, Parliamentary Library, Canberra, 10 December 2013, p. 31, accessed November 2013.

17 A Biggs, L Buckmaster, C Ey and M Klapdour, *Social Services and Other Legislation Amendment Bill 2013*, Bills digest, 29, 2013–14, Parliamentary Library, Canberra, 10 December 2013, p. 31, accessed November 2013.

18 A Biggs, L Buckmaster, C Ey and M Klapdour, *Social Services and Other Legislation Amendment Bill 2013*, Bills digest, 29, 2013–14, Parliamentary Library, Canberra, 10 December 2013, p. 31, accessed November 2013.

19 Revised Explanatory Memorandum, p. 63.

Modelling

2.19 The Department of Education provided information about the modelling used for many years to estimate the impact on families and the savings from the proposed extension of the CCR Limit.

The Legislative Outyears Customisable Model of Child Care (LOCMOCC) is a micro-simulation model that is based on unit record data of child care attendance records. LOCMOCC models expenditure for Child Care Benefit (CCB) and Child Care Rebate (CCR). Based on a range of inputs, the model forecasts expenditure for future years. The various model parameters, methodology and assumptions are agreed with the Department of Finance and the Treasury.²⁰

LOCMOCC is based on a unit record level dataset of family/child information, a set of policy parameters including the CCR limit, and growth parameters for the out years.²¹

2.20 The Department of Education provided a table showing the parameters and estimated growth factors for all care types used at the 2013-14 Budget:²²

Parameter/growth factor includes	2013-14	2014-15	2015-16	2016-17
Child care rebate limit	\$7,500	\$7,500	\$7,500	\$7,500
Growth of children in care	0.9%	0.8%	0.8%	0.9%
Growth in fees	8.6%	9.0%	7.5%	7.8%

Source: Department of Education, Employment and Workplace Relations - Budget 2013-14

Note: LOCMOCC does not provide estimates for vacation care.

2.21 The Department of Education provided a table showing the estimated parameter and growth factors in relation to Long Day Care services:²³

Parameter/growth factor includes	2013-14	2014-15	2015-16	2016-17
Child care rebate limit	\$7,500	\$7,500	\$7,500	\$7,500
Growth of	0.5%	0.2%	0.5%	0.8%

20 Department of Education, answer to questions on notice, 9 December 2013 (received 10 December 2013)

21 Department of Education, answer to questions on notice, 9 December 2013 (received 10 December 2013)

22 Department of Education, answer to questions on notice, 9 December 2013 (received 10 December 2013)

23 Department of Education, answer to questions on notice, 9 December 2013 (received 10 December 2013)

children in care				
Growth in fees	8.9%	8.9%	7.6%	8.1%

Source: Department of Education, Employment and Workplace Relations - Budget 2013-14

Reported savings from freeze

2.22 The continued freeze on indexation will result in significant savings to the Budget as families gradually earn more income and move above the limits, at which time they either lose eligibility or receive a lower rate of payment. It is anticipated that the freeze will affect mainly those with higher incomes or those who spend large amounts of child care fees.

2.23 Officers from the Department of Education, provided evidence that freezing of indexation on the FTB income threshold would result in an overall saving of \$1.2 billion over four years, with \$396 million in savings from capping of indexation on the FTB A and B end of year supplements.²⁴ Paid Parental Leave would save an additional \$22.033 million over four years.²⁵

Impacts on families

2.24 The committee considered evidence regarding the impact that the freeze on indexation would likely have on families. Witnesses indicated that impacts potentially included parents finding it more difficult to manage increasing child care costs and that debt may be an unintended result of the freeze. However, the committee noted that these impacts are largely speculative.

2.25 The Department of Education indicated that an estimated 100 000 families will be affected by the previous government's continued freeze on indexation and provided a breakdown of estimated income distribution of those families impacted in 2014-15:²⁶

Family Income	Number of families
Under \$50,000	1,035
\$50,001 - \$100,000	5,701
\$100,001 - \$150,000	34,370
\$150,001 - \$200,000	36,406
\$200,001 - \$250,000	12,973
\$250,001 - \$300,000	5,689

24 Ms Diana Lindenmeyer, Acting Branch Manager, Department of Social Services, *Proof Committee Hansard*, 9 December 2013, p. 17.

25 Mr Philip Brown, Branch Manager, Department of Social Services, *Proof Committee Hansard*, 9 December 2013, p. 17.

26 Department of Education, answer to questions on notice, 9 December 2013 (received 10 December 2013)

Over \$300,000	3,905
Total	100,079

Source: Department of Education, Employment and Workplace Relations, Budget 2013-14.

2.26 The Department of Education advised that the average impact on families affected by a freeze on the CCR limit is estimated to be around \$5 per week in 2014-15.²⁷ Thus, in real terms, the effect of these measures is likely to be minimal.

Committee view

2.27 The committee notes a number of concerns raised by submitters and witnesses. The committee also notes Schedule 9 reflects the previous government's savings measures contained in the 2013-14 Budget.

2.28 The Committee accepts the long standing modelling undertaken by the Department of Education that indicates minimal additional costs to parents as opposed to significant savings to the Budget. The committee is of the view that in an effort to address current budget constraints, a continuation of the freeze on indexation and an extension to the annual child care rebate limit is appropriate and reasonable.

Recommendation 1

2.29 The committee recommends that the Senate pass the measures contained in Schedules 6 and 9 of the bill.

Senator Bridget McKenzie
Chair, Legislation

Senator Helen Kroger

Senator Anne Ruston

27 Department of Education, answer to questions on notice, 9 December 2013 (received 10 December 2013)

LABOR SENATORS' DISSENTING REPORT

Introduction

1.1 On reference by the Senate on the 5th of December 2013 for inquiry into schedules 6 and 9 of the Social Services and Other Legislation Amendment Bill, Labor Senators;

- (a) Oppose amendment to Schedule 6 in its entirety, and;
- (b) Oppose amendment to Schedule 9, with reference to the continuation of the freezing on the indexation on the annual Child Care rebate limit of \$7500 to 30 June 2017

Opposition to Schedule 6

1.2 The passage of Schedule 6 will abolish existing Student Start-up Scholarships (two grants \$1,025 per year) and replace them with student start-up loans of an equal amount to be repaid under similar arrangements to Higher Education Loan Program (HELP) debts.

1.3 In April 2013, the former Labor Government announced similar amendments as saving measures to ensure vital school reforms could be funded under the Better Schools Plan.

1.4 The \$2.3 billion package of savings measures introduced by Labor were put forward to help fund \$11.5 billion of once in a lifetime changes to our school system that are now no longer going ahead under the Coalition government and the 44th Parliament.

1.5 The Bradley Review, which developed the proposal had been instructed that the changes had to be budget neutral. This amendment creates a budget saving that is not offset with education investment and instead contributes to the Government's bottom line.

1.6 Evidence was presented by the National Union of Students (NUS) and the Council of Australian Postgraduate Associations (CAPA), in submission, and also in hearings attended by CAPA held on the 9th December 2013 at Parliament House, Canberra, demonstrating the correlation between HECS policy changes that result in an increase in the cost of higher education and a reduced participation in higher education, especially by low socio-economic groups and first in family participants.

1.7 The NUS in particular submitted copious evidence that risk aversion to debt affects student's willingness to enter into and continue in tertiary education:

NUS's core critique of the impact of HECS on equity has focussed on the concept of study debt aversion. The study debt aversion hypothesis is that different social groups may tend to respond differently to the idea of taking on large amounts of debt – even if it is supported by a progressive income contingent repayment option. While an upper-middle class school leaver

may not be put off by a large study debt, a low income mature-age rural students might well be.¹

1.8 CAPA also presented evidence in hearings suggesting that abolishing start-up scholarships in favour of a loan scheme would discourage students from a lower socioeconomic background from entering postgraduate studies,² and evidence that students from rural and regional areas in particular rely on the start-up scholarships to establish their entrance into undergraduate studies.³

1.9 Similarly, CAPA presented evidence suggesting that abolishing scholarships in favour of loans arrangements to Higher Education Loan Program (HELP) debts affects students' decisions of when they choose to exit university and enter the workforce:

Mr Maheswaran: ... But, in terms of the quantitative impact on students, we can say that it affects their decisions in terms of when they want to enter the workforce—that is, the length of the degree and how long they want to spend within the university sector—as well as their career choices once they do enter the market. ⁴

1.10 Finally, Departmental representatives presented evidence in hearings that the Coalition Government is failing to rely on any models that investigate effects on low socioeconomic students.⁵

Opposition to Schedule 9

1.11 Schedule 9 proposes amendments to continue a freeze on the indexation on the Family Tax Benefit Part B (FTB-B) primary earner income limit, the Parental Leave Pay (PLP) and Dad and Partner Pay (DAPP) individual income limit, the higher income free area for Family Tax Benefit Part A (FTB-A), the FTB-A and FTB-B end-of-year supplement amounts and the annual Child Care Rebate limit of \$7500, until 30 June 2017.

- (a) Labor Senators do not oppose proposed amendments to continue a freeze on the indexation on the Family Tax Benefit Part B (FTB-B) primary earner income limit, the Parental Leave Pay (PLP) and Dad and Partner Pay (DAPP) individual income limit, the higher income free area for Family Tax Benefit Part A (FTB-A), the FTB-A and FTB-B end-of-year supplement amounts.

1 National Union of Students, *Supplementary Submission 4*, p. 2.

2 Mr Sharangan Maheswaran, Policy and Research advisor, Council of Postgraduate Associations, *Proof Committee Hansard*, p. 3.

3 Mr Sharangan Maheswaran, Policy and Research advisor, Council of Postgraduate Associations, *Proof Committee Hansard*, p. 2.

4 Mr Sharangan Maheswaran, Policy and Research advisor, Council of Postgraduate Associations, *Proof Committee Hansard*, p. 2.

5 Mt Murray Kimber, Branch Manager, Payment Integrity and Performance Information, Department of Social Services, *Proof Committee Hansard*, p. 15.

- (b) Labor Senators strongly oppose proposed amendments to continue a freeze on the annual Child Care Rebate limit of \$7500, until 30 June 2017.

1.12 The rationale for the temporary freeze under the former ALP Government was to support the implementation of the Early Years Quality Fund, recognised as an important reform in the industry, which would see an increase in professional wages of early childhood educators. However, with that fund now scrapped, a further pause on indexation unnecessarily impacts the sector and families who utilise childcare without redirecting the budget savings back into the sector.

Amendment to Child Care Rebate limit (Specifically)

No support from Peak Bodies

1.13 The amendment to this section of Schedule 9 has received no support from the two peak bodies in Australian childcare, Early Childhood Australia and the Australian Childcare Alliance, who both submitted evidence to the committee and presented further evidence at hearings.

Increasingly early exhaustion of benefit

1.14 There exists extensive evidence to show that as prices for formal child care have increased beyond CPI, families who would have previously benefited from 12 months of this rebate are exhausting their limit much prior to this date:

Families who originally would have been able to go through the whole year and use the 50 per cent of the childcare rebate were finding, two years ago, that their childcare rebate was running out around April. So in April, May and June parents were paying full fees.⁶

It is going to make it extremely tough on families. We are finding that families are working out how many days a week they can work to make that childcare rebate extend past the second quarter of the financial year. Many centres around Australia have Mondays and Fridays free because families are cutting those workforce days.⁷

1.15 It is worth noting here that the Government has no control over the cost of care, nor the size of increases applied by the market.

1.16 This evidence is similarly supported by Ms Jackie Wilson, Deputy Secretary, Early Childhood Education and Care, Department of Education, who gave evidence in the hearings as follows:

Senator LINES: And, in terms of impact on families, what research have you done? In terms of which income level of families will hit the cap first? What will that impact be—what research have you done?

6 Mrs Gwynneth Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, p. 4.

7 Mrs Gwynneth Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, p. 4.

Ms Wilson: I assume you are continuing the discussion you had with people at the table earlier. I think approximately 100,000 families are estimated to reach the childcare rebate annual limit in 2014-15.

Senator LINES: So when will they reach that limit?

Ms Wilson: Over the course of that financial year.

Senator LINES: But when? Which month? If they are receiving a rebate, when will that rebate run out?

Ms Wilson: I think our modelling suggests probably March to April in the 2015 financial year.⁸

1.17 Evidence was also presented by Ms Wilson of the Department of Education demonstrating the drastic increase in forward estimates of families who would reach this cap:

Ms Wilson: I think our modelling suggests probably March to April in the 2015 financial year.

Senator HANSON-YOUNG: The families who will hit the cap and the number of families who will hit the \$7,500 cap and therefore will not be able to claim the rebate after, say, March-April.

Ms Wilson: That would be 147,000 in 2016-17.

Senator HANSON-YOUNG: And what about the next financial year?

Ms Wilson: It finishes on 30 June. I can give you 2014-15, 2015-16—

Senator HANSON-YOUNG: Do that for me, please.

Ms Wilson: About 100,000 families in 2014-15, approximately 120,000 in 2015-16, and 147,000 in 2016-17.⁹

The Government and majority report relies on inaccurate figures to justify the continuation of the freeze

1.18 Evidence was presented in hearings demonstrating that the Government has relied upon inaccurate figures to draw the conclusion that the freeze on the annual Child Care Rebate limit would inflict minimal impact on families, both on daily costs of childcare, the number of families affected, and the impact of the cap on families who predict they will exceed the limits, rather than families who actually exceed these limits, as follows:

1.1 On the daily cost of childcare:

Mrs Bridge: To be able to get the full rebate now, families would need to pay about \$57 a day for childcare for five-days-a-week care. There is no place in Australia where childcare in long-day care is \$57 a day. The previous federal government said average fees were about \$72 a day, and

8 Ms Jackie Wilson, Deputy Secretary, Early Childhood Education and Care, Department of Education, *Proof Committee Hansard*, p. 9.

9 Ms Jackie Wilson, Deputy Secretary, Early Childhood Education and Care, Department of Education, *Proof Committee Hansard*, p. 11.

ACA believe that it is more likely \$80 a day. Families are finding now that with fees of \$100 a day, five days a week, they are running out of childcare rebate very early in the second half of the financial year. This is having a huge impact, as many of them are paying up to \$18,500 per annum for their additional fees.¹⁰

On the number of families affected:

Senator HANSON-YOUNG: What do you say to the government when it says, 'This will only affect 100,000 families.'?

Mrs Bridge: I think the figures I found the other day were that it could go to 150,000 families.¹¹

Senator HANSON-YOUNG: The figures from the government suggest that upwards of 80 to 90 per cent of people are actually well and truly okay and within the capped level. You are suggesting that that is not necessarily representative of families' needs?

Mrs Bridge: It is not, because there are many things impacting as well as this. This is just the icing on the cake, shall we say, because this is the one that is also causing the families to find it difficult because of the increased costs.¹²

On families who decrease care to avoid reaching limits:

Senator HANSON-YOUNG: So you have been able to pull data together that says about 15.5 per cent of families are going to be directly impacted by this. I take on board your point in relation to the fact that other people may be keeping themselves out of that capped level by virtue of not being able to afford it anyway.

Ms Page: That is right. That is the forward estimates in relation to how many people will hit the cap in 2016-17. However, as you point out, there might be lots more families who would, if they could use the amount of child care that they need, be hitting that cap but have pulled back from that because they are concerned about cost.¹³

1.19 Further to this, the evidence base the government is drawing from is inaccurate, due to patchwork care arrangements (i.e. Families relying on grandparents or friends to undertake child care), and families who, in fear of exceeding the cap, rely on cheaper, unregulated care. This was supported by both major peak bodies in hearings as follows;

10 Mrs Gwynneth Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, p. 4.

11 Mrs Gwynneth Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, p. 5.

12 Mrs Gwynneth Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, p. 5.

13 Ms Samantha Page, Chief Executive Officer, Early Childhood Australia, *Proof Committee Hansard*, p. 6.

ACTING CHAIR: Do you have concerns that families might be using unregulated care?

Mrs Bridge: There is a concern. In our 2013 survey 26 per cent, or 248 families, said they would consider using unregulated care.¹⁴

Senator HANSON-YOUNG: Please correct me if I am wrong about what you are saying, but this is what I have interpreted from you. Are you saying that it is a reality to see people, families, choosing other options rather than professional care for their children, if indeed they start hitting this cap much earlier in the financial year?

Mrs Bridge: We have only got from the survey that 26 per cent said they would choose an informal option, but we also see a lot of grandparents that are really struggling under the pressure these days of looking after children, so it is probably a patchwork for families if they choose to stay in the workforce. But we do also see a lot of families who are just working the Tuesday, Wednesday and Thursday now and dropping off the two days to cut back the fees.¹⁵

Ms Page: We would expect that there are a whole load of families that have made decisions about their utilisation of early childhood services anticipating that they might reach the cap and not wanting to do that; therefore, we anticipate the impact would be much broader than 15.5 per cent. But that is the known proportion of families at least that are reaching that limit at the moment.¹⁶

The amendment will at least limit, if not decrease, women's participation in the workforce

1.20 The amendment pertaining to the annual Child Care Rebate limit also has the potential to limit, and indeed decrease, women's contribution to the workforce. In giving evidence, Mrs Bridge of the Australian Childcare Alliance cited a 2001 HILDA report that said that 40.3 per cent of mothers were back in the workforce before their child's second birthday. She noted that after the childcare rebate was introduced in 2008, that figure rose quickly to 52 per cent who were returning to work.¹⁷ This demonstrates the availability and affordability of quality childcare increases the likelihood of women returning to work.

1.21 Mrs Bridge cited various examples from research undertaken by the ACA that demonstrates the impact the freeze on this limit has on families' decision to have children, and the decisions on their working lives following the birth of children, as follows;

14 Mrs Gwynneth Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, p. 4.

15 Mrs Gwynneth Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, p. 5.

16 Ms Samantha Page, Chief Executive Officer, Early Childhood Australia, *Proof Committee Hansard*, p. 6.

17 Mrs Gwynneth Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, p. 4.

Mrs Bridge: We did a 'What parents want' survey in 2010, which said that one-third of parents believed that they would have to delay having more children and that one in three would have to reduce their working hours or leave their job. When we did that same survey in 2013 the figure for parents who said they would leave the workforce entirely was 60 per cent. That was 673 families out of 1,430 who participated in the survey.¹⁸

Mrs Bridge: ... Many families say that if there is nothing coming they are going to have trouble holding on in the workforce.¹⁹

Mrs Bridge: The Australian Childcare Alliance ... believe that, if we increase our female workforce participation, it becomes cost positive to the government to fund a quality early-education-in-care setting for families.²⁰

Childcare centres risk becoming unviable

1.22 This amendment will see an impact on the viability of childcare centres. With the ACA presenting evidence that already centres have decreased patronage on Mondays and Fridays as parents (usually mothers) decrease their working hours to decrease the hours their children require child care, Labor Senators also note that the ACA, a peak body in childcare, gave evidence that centres would be forced to close as a result of this freeze extension;

ACTING CHAIR: Mrs Bridge, because this cap will remain in place until 2017 and you have made the point that services are low on their enrolment numbers on Mondays and Fridays, could you envisage a situation where services might close?

Mrs Bridge: If there is no relief for families in assisting them with their affordability issues now till 2017, I am sure we will see a major decline in usage.²¹

Extension of the freeze further disadvantages low income families

1.23 Finally, Labor Senators note that this freeze further disadvantages low income families, with the ACA presenting anecdotal evidence that lower income families are not able to afford a quality early-education-in-care regulated setting, and as such may strain family relationship by relying on patchwork care, or risk unregulated care for their children;

Senator HANSON-YOUNG: Have you seen the reports today suggesting that families on as little as \$35,000 a year are spending up to nine per cent of their income on child care?

18 Mrs Gwynneth Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, p. 5.

19 Mrs Gwynneth Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, p. 5.

20 Mrs Gwynneth Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, p. 5.

21 Mrs Gwynneth Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, p. 5.

Mrs Bridge: No, I have not seen the report, but something we have noticed is that lower income families are not able to afford a quality early-education-in-care regulated setting. We are not seeing many of those families at all, because, even with the childcare benefit—and, as I said, it has devalued through bracket creep and not keeping up with the real costs of raising a family and having them in an early-education centre—those families are really struggling. It is the children with additional needs and children from lower socioeconomic households who really do need to have an early education as well. It is not just the high-end families that are being affected.²²

Conclusion

1.23 Following the enquiry into schedules 6 and 9 of the Social Services and Other Legislation Amendment Bill, the Labor Senators of the Education and Employment Legislation Committee;

- (a) Oppose amendment to Schedule 6 in its entirety, and;
- (b) Oppose amendment to Schedule 9, with reference to the continuation of the freezing on the indexation on the annual Child Care rebate limit of \$7500 to 30 June 2017

Recommendation 1

1.24 Labor Senators recommend that the Senate reject amendments to Schedule 6, and amend the amendment to Schedule 9 accordingly.

Senator Sue Lines
Deputy Chair
Australian Labor Party
Senator for Western Australia

Senator Mehmet Tillem
Australian Labor Party
Senator for Victoria

22 Mrs Gwynneth Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, p. 5.

AUSTRALIAN GREENS' DISSENTING REPORT

Overview:

1.1 In considering Schedule 6 of the Social Services and Other Legislation Amendment Bill 2013 it is important to note the concerns raised by student groups and staff unions regarding the impact of proposed changes on participation and equity.

1.2 In considering Schedule 9 of the Bill, The Australian Greens do not support the continuation of the indexation freeze on the childcare rebate and believe that the legislation should be amended to delete the freeze from the schedule.

1.3 The Australian Greens are also very concerned at the very quick time frame of this inquiry – that has made it more difficult for stakeholders to participate and Senators to give a considered response.

Particular Issues with the Schedule 6 of the Bill

1.4 We note that all three submitters to this inquiry were opposed to the Bill on the grounds that 'it would increase student debt, and as a consequence, increase the barriers to further education for students'.¹

1.5 We note and agree with the evidence presented by the National Union of Students and the National Tertiary Education Union that students receiving Start-Up Scholarships are, by definition, students from financially disadvantaged background and as such, the Bill impacts disproportionately, if not exclusively on disadvantaged students.

1.6 We also note and agree with the evidence from the National Union of Students that these cuts are in effect a “double cut” due to the way the Start-Up Scholarships were initially introduced:

The Start Up Scholarships were not the product of increased Commonwealth funding for student income support. The Bradley Review, which developed the proposal had been instructed that the changes had to be budget neutral. The funding for the Start Up scholarships came from cutbacks to other parts of the student income support program, most notably restrictions to students qualifying for income support through working in a gap year. The conversion of the scholarships to loans is in effect a double cut to student income support.²

1.7 The Australian Greens note with concern evidence from the Department of Social Security that the cost impact of the cuts provided in the Financial Statement of the Bill may in fact be different from the actual impact due to increasing numbers of students being unable to repay HELP debt.

1 See for example: National Tertiary Education Union, *Submission 1*; Council of Australian Postgraduate Associations, *Submission 3*.

2 National Union of Students, *Submission 4*, p. 4.

1.8 In summary we believe that the evidence provided by the National Union of Students, National Tertiary Education Union and the Department of Social Security provide strong reasons for why this Bill to increase the debt of disadvantaged students should not be passed.

Recommendation 1

1.9 The Australian Greens recommend that the Senate not pass the measure contained in Schedule 6 of the Social Security and other Legislation Amendment Bill 2013 and the Bill should be amended to delete the indexation freeze on the childcare rebate from Schedule 9 of the Bill.

Senator Lee Rhiannon

Australian Greens Senator for New South Wales

Senator Sarah Hanson-Young

Australian Greens Senator for South Australia

APPENDIX 1

Submissions received

- 1** National Tertiary Education Union (NTEU)
- 2** Early Childhood Australia
- 3** Council of Australian Postgraduate Associations
- 4** National Union of Students
- 5** Australian Council of Social Service

Answers to questions on notice

- 1** Answers to Questions on Notice from the Department of Education resulting from the committee hearing on 9 December 2013.

APPENDIX 2

Witnesses who appeared before the committee

Canberra, Monday, 9 December 2013.

BARTONE, Mr Gino, Legal and Policy Officer, Australian Taxation Office

BRIDGE, Mrs Gwynneth May, President, Australian Childcare Alliance

BROWN, Mr Philip, Branch Manager, Parental Payments and Family Research, Department of Social Services

CADDICK, Mr Oliver, Director, Student Payment Program Performance Section, Department of Social Services

KIMBER, Mr Murray, Branch Manager, Payment Integrity and Performance Information, Department of Social Services

LINDENMAYER, Ms Diana, Acting Branch Manager, Family Payments and Child Support, Department of Social Services

MAHESWARAN, Mr Sharangan, Policy and Research advisor, Council of Postgraduate Associations

PAGE, Ms Samantha, Chief Executive Officer, Early Childhood Australia

PEARCE, Ms Margaret, Group Manager, Early Childhood Care Support Group and Early Childhood Education and Care, Department of Education

SHAW, Ms Annette, General Manager, Advocacy and Operations, Early Childhood Australia

TOBIAS, Mrs Emma, Acting Assistant Commissioner, Client Account Services, Australian Taxation Office

WILLING, Mr Jeff, Branch Manager, Payments to Families and Services Branch and Early Childhood Education and Care, Department of Education

WILSON, Ms Jackie, Deputy Secretary, Early Childhood Education and Care, Department of Education

APPENDIX 3

Proof Committee Hansard



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

EDUCATION AND EMPLOYMENT LEGISLATION COMMITTEE

Social Services and Other Legislation Amendment Bill 2013

(Public)

MONDAY, 9 DECEMBER 2013

CANBERRA

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SENATE

EDUCATION AND EMPLOYMENT LEGISLATION COMMITTEE

Monday, 9 December 2013

Members in attendance: Senators Hanson-Young, Lines, McKenzie, Rhiannon.

Terms of Reference for the Inquiry:

To inquire into and report on:

Social Services and Other Legislation Amendment Bill 2013.

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BARTONE, Mr Gino, Legal and Policy Officer, Australian Taxation Office.....	9
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TOBIAS, Mrs Emma, Acting Assistant Commissioner, Client Account Services, Australian Taxation Office	9
TYRRELL, Ms Jade, National President, National Union of Students	1
WILLING, Mr Jeff, Branch Manager, Payments to Families and Services Branch and Early Childhood Education and Care, Department of Education.....	9
WILSON, Ms Jackie, Deputy Secretary, Early Childhood Education and Care, Department of Education .	9

MAHESWARAN, Mr Sharangan, Policy and Research advisor, Council of Postgraduate Associations

TYRRELL, Ms Jade, National President, National Union of Students

Evidence from Mr Maheswaran was taken via teleconference—

Committee met at 18:49

CHAIR (Senator McKenzie): The committee will now commence its inquiry into the provisions of schedules 6 and 9 of the Social Services and Other Legislation Amendment Bill 2013. I welcome Ms Jade Tyrrell from the National Union of Students and Mr Sharangan Maheswaran from the Council of Postgraduate Associations, CAPA, via teleconference. Welcome. Information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. I now invite you to make a short opening statement. At the conclusion of your remarks I will invite members of the committee to put questions to you.

Mr Maheswaran: To introduce ourselves, the council was established in 1979 as a peak body for about 320,000 postgraduate students. Our major concern today is the student start-up loan scheme, which is taking over from the student arts scholarship, will still exclude postgraduate students. This was under review by the previous government and was delayed indefinitely under the 2012 midyear budget review.

The Commonwealth has historically made a distinction between students that require support and those who were working and able to help fund their own education. However, the development in essentially this structure of tertiary education has meant that many postgraduate students do not have the ability to support themselves and require assistance from programs such as these.

A major consideration is that in the current economic climate many recent graduates or new entrants to the job market are looking to postgraduate studies as a stop-gap measure, having found part-time work or no work whatsoever. This period allows many graduates to hone their skills (inaudible) available in the labour market, especially as postgraduate coursework degrees are often more focused and industry oriented. During this period, however, they are subject to the same economic pressures as undergraduate students and equity (inaudible) to reconsider the parameters of the student start-up loan to include postgraduate students.

These issues are only becoming more pertinent as many universities are opting to shift initially undergraduate degree, such as graduate entry law and medicine programs, into fully fledged postgraduate degrees. (inaudible) follow a (inaudible) American style education, the (inaudible) Melbourne model in which students are encouraged to undertake a generalist undergraduate degree, followed by a postgraduate specialist degree. The net effect is that there are more postgraduate students without the essential work experience and means to support themselves that the Commonwealth is assuming exists. Without speaking to the merits of converting the scholarship to a loan program, which is obviously subject to (inaudible) government's consideration. As well as the structure of changes within the higher education sector, it is intuitive that the student start-up loan program ought to be available to postgraduate students, who are subject to the very same economic pressures which the program (inaudible) to assist undergraduate students.

CHAIR: Thank you. Questions. Senator Rhiannon.

Senator RHIANNON: Thank you, Chair. Thanks for your evidence and for joining us tonight at such short notice. In your experience, what is the demographic make-up of students who are receiving youth allowance at the moment? This might be more of a question to NUS, but I noted that in your evidence you said a few times that there was similar pressure for undergraduate students and postgraduate students. Maybe to start off with, just to clarify, can you tell us: are many of the postgraduate students on youth allowance? Do you have any figures on that?

Mr Maheswaran: We do not have exact figures. The nature of youth allowance means that, essentially, those completing degrees by research are ineligible for youth allowance immediately or for at least the Abstudy and Austudy programs, which therefore makes them ineligible for the Student Start-Up Scholarship—and this new student start-up loan scheme will also follow on with those ineligibility criteria.

Senator RHIANNON: Thanks for clarifying that. Do students come to you, or do you know of them approaching other bodies, concerned about debt levels and their inability to pay for their studies or their cost-of-living expenses, such as rent?

Mr Maheswaran: In terms of the cost of higher education, a major concern is that many degrees that have traditionally been, as I mentioned before, undergraduate degrees, such as law and medicine, are being shifted into postgraduate programs, which have a far higher number of fourth-year places. But it also means that these students are forced to take on higher levels of debt because they now have to complete that undergraduate

education and then go on to do that higher education, which was their original purpose and was available to students not so long ago, five or 10 years ago—there was direct-entry law or direct-entry medicine.

Senator RHIANNON: Could you just expand on that issue of the impact of debt? You mentioned higher levels of debt than in the past. Are there any quantitative studies, or do you know from your own experience working with CAPA, about the results of students accruing debt and what impact that has on their decisions with regard to their studies?

Mr Maheswaran: We have no quantitative data largely because we do not have the ability to collect it; and, in large part, the department of innovation probably has a better ability to give a more holistic picture of how debt levels are affecting students. But, in terms of the quantitative impact on students, we can say that it affects their decisions in terms of when they want to enter the workforce—that is, the length of the degree and how long they want to spend within the university sector—as well as their career choices once they do enter the market. We often put out surveys to our constituent organisations, and that is often the feedback that we receive.

Senator RHIANNON: Do you have any breakdown of that analysis across the country in terms of regional and urban universities, people from a more disadvantaged background or first-timers, the first in their families to go to university? Is there a greater level of detail with regard to that?

Mr Maheswaran: Unfortunately, I do not have those details.

Senator RHIANNON: Yes. Is that something that you think is needed to have a greater understanding of how all this will play out?

Mr Maheswaran: Most definitely. At the end of the day, the decisions that we make will always be improved if there are more surveys or more information about the impact that high debts are having on these kind of groups, especially on people from lower-income backgrounds. I would note that the discussions that we are largely focusing on from an educational perspective are on the start-up scholarship. They have been hugely useful in the past, especially to help students from rural and regional areas once they start their higher education. From the feedback that we get from our constituent organisations, they are hugely useful, and it is not something that we want to see go.

Senator RHIANNON: What is your experience with the start-up scholarships? What sorts of things do students spend that money on?

Mr Maheswaran: Often computers, because many people, once they leave high school, do not have the kinds of laptops and electronics that they require for university study. Most university study is now very much done over the internet—it very much involves submissions and collaboration over the internet—and a large purchase such as a laptop is extraordinarily onerous on a student that is just starting university. So it is hugely useful. The start-up scholarship is pretty much for students that would not otherwise have been able to begin their higher education as early as they otherwise would have.

That was a rather round-about statement, so, to clarify, someone who would ordinarily spend a year or two saving and attempting to create that kind of environment in which they can pursue their higher education, by, for example, establishing a residence with ordinary household items and things like that, would now be very much within the purview of a start-up scholarship.

Senator RHIANNON: You get the impression from listening to you and talking to students about how they manage that there must be a level of hardship. From your experience, when students are surviving largely off the start-up scholarships, what are the areas they cut back in? When I asked you what they are spending their start-up scholarships on, and I must admit I was thinking of rent and text books, you immediately nominated computers, so there is so much that is needed in a student's life as well as the day-to-day costs. What has your experience shown you about the areas where students are cutting back, to be able to survive and to be able to stretch their money further?

Mr Maheswaran: When you say students are spending their scholarship funds on things like electronics, such as a laptop, it might seem frivolous but in reality it is almost an equity issue because at the end of the day not everybody can afford what is a fairly large purchase. Modern university educations are largely reliant on these electronic devices, and at the end of the day university education becomes extraordinarily difficult without a computer and there are a great many people from lower socioeconomic backgrounds as well as from rural and regional areas who do not have access to these kinds of things without student start-up scholarships.

That being said, ordinarily when students cut back it is in areas that do not compromise their immediate education but might compromise their welfare. For example, someone might cut back on food or might choose to live in a more dangerous neighbourhood or might cut down on safety items that are essential for their welfare, but they do not cut back on essentially things that are required for their education—things like textbooks and laptops.

It is quite a sad situation when someone is forced to choose between something essential to their education and something essential to their personal welfare. It is almost motivational to see the dedication people put into their education and improving themselves—they often pick those educational tools.

Senator RHIANNON: So there is that pressure there at the moment with start-up scholarships. Do you anticipate that would change if they were converted to loans?

Mr Maheswaran: Unfortunately the data just is not there to see what students would do if that was converted into a loan. While there is no logical reason why students would not take up that loan against future earnings, there has been in the past, at least anecdotally and from some surveys, evidence that suggests that students from a lower socioeconomic background are less likely to take on higher levels of debt against proposed future earnings. So, again, this is a pretty complex question at the end of the day.

Senator RHIANNON: Has CAPA put in submissions or made comment on those reviews that the previous government undertook, like the Bradley review and the Lomax-Smith review, or have you made any assessment of them?

Mr Maheswaran: I think that there were some comments on the Bradley review. However, I am uncertain. That was before my time. I can find the information for you.

Senator RHIANNON: Yes, if you have your assessment of those. Basically, they were identifying the need for greater base funding, so I would be interested in any comment you have on that now, or you could pass it on to us.

Mr Maheswaran: Perhaps I could pass it on to you.

Senator RHIANNON: Thank you very much.

ACTING CHAIR (Senator Lines): Thanks very much, Mr Maheswaran. I think that is all we have for you, unless you want to make any concluding remarks?

Mr Maheswaran: No, thank you.

ACTING CHAIR: Thanks very much. I note the shortness of time and thank you for the efforts you have made. Thanks very much.

Mr Maheswaran: Thank you.

ACTING CHAIR: After the suspension, we will hear from witnesses in relation to schedule 6.

Proceedings suspended from 19:05 to 19:15

BRIDGE, Mrs Gwynneth May, President, Australian Childcare Alliance

PAGE, Ms Samantha, Chief Executive Officer, Early Childhood Australia

SHAW, Ms Annette, General Manager, Advocacy and Operations, Early Childhood Australia

Evidence was taken via teleconference—

ACTING CHAIR: Welcome. Information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. I invite you to make a short opening statement and, at the conclusion of your remarks, I will invite members of the committee to put questions to you. Mrs Bridge, would you like to make an opening statement on behalf of the Australian Childcare Alliance?

Mrs Bridge: Yes. Basically, I have looked back to 2001 to a HILDA report that said that 40.3 per cent of mothers were back in the workforce before their child's second birthday. After the childcare rebate was introduced in 2008, that figure rose quickly to 52 per cent who were returning to work. We saw the benefit of it in those few brief years that it was there.

The rebate reduced fees by 30 per cent in 2006 and 50 per cent in 2008 and it certainly did have an impact on women returning to the workforce. Unfortunately, in the 2010-11 budget the rebate was reduced. At the time it should have just about gone to \$7,778 and due to go to the next level, because it was not passed through at the time—1 July—when it normally would have been. Instead it was dropped to \$7,500 with the freeze on the CPI. That immediately had an impact on families. We are finding that the workforce participation of families is certainly being affected by the freeze and the cap on the childcare rebate. Families who originally would have been able to go through the whole year and use the 50 per cent of the childcare rebate were finding, two years ago, that their childcare rebate was running out around April. So in April, May and June parents were paying full fees.

To be able to get the full rebate now, families would need to pay about \$57 a day for childcare for five-days-a-week care. There is no place in Australia where childcare in long-day care is \$57 a day. The previous federal government said average fees were about \$72 a day, and ACA believe that it is more likely \$80 a day. Families are finding now that with fees of \$100 a day, five days a week, they are running out of childcare rebate very early in the second half of the financial year. This is having a huge impact, as many of them are paying up to \$18,500 per annum for their additional fees.

We did a 'What parents want' survey in 2010, which said that one-third of parents believed that they would have to delay having more children and that one in three would have to reduce their working hours or leave their job. When we did that same survey in 2013 the figure for parents who said they would leave the workforce entirely was 60 per cent. That was 673 families out of 1,430 who participated in the survey.

Our concern for the families is huge, because we have seen how they struggle with the effect of the childcare rebate freeze and cap, and with the increasing costs of the national quality framework that we have been introducing since late 2011 these fees have gone up substantially in that period.

ACTING CHAIR: From what you have been saying this evening, you think that the further capping of the childcare rebate until 2017 is going to make it much tougher on families.

Mrs Bridge: It is going to make it extremely tough on families. We are finding that families are working out how many days a week they can work to make that childcare rebate extend past the second quarter of the financial year. Many centres around Australia have Mondays and Fridays free because families are cutting those workforce days.

ACTING CHAIR: Do you have concerns that families might be using unregulated care?

Mrs Bridge: There is a concern. In our 2013 survey 26 per cent, or 248 families, said they would consider using unregulated care.

Senator HANSON-YOUNG: You have gone through some of the figures from the survey you conducted. How do you run your survey?

Mrs Bridge: For the last four years we have run a survey called 'What parents want' in the first half of the year. We ask similar questions in each survey so that we have comparisons. The last one we did was run in about April 2013.

Senator HANSON-YOUNG: There has been in place a freeze of indexation for the last few years. In fact, the \$7,500 figure was the indexed rate in the 2008-09 financial year. Is that your understanding?

Mrs Bridge: Yes.

Senator HANSON-YOUNG: What is your view on the change in policy to extend the freeze, considering that when this was debated the first time around, it was argued that it would be in place for only a short amount of time?

Mrs Bridge: We have been advocating on behalf of families for some time, because they are doing it tough. They are being hit in the hip pocket with the increase in fees and with this and because the childcare benefit has devalued over the last 10 years as well. Many families say that if there is nothing coming they are going to have trouble holding on in the workforce. It is those families who came into the workforce as a result of the introduction of the childcare rebate, not expecting that it would be frozen and capped as it has been to have such a detrimental effect on them.

Senator HANSON-YOUNG: What do you say to the government when it says, 'This will only affect 100,000 families.'?

Mrs Bridge: I think the figures I found the other day were that it could go to 150,000 families. That is an awful lot of families who have to take money from other family expenditure, which could even be food, to meet their childcare fees to stay in the workforce. We have over 60 per cent of families who say that they have to reduce other family expenditure.

Senator HANSON-YOUNG: Have you seen the reports today suggesting that families on as little as \$35,000 a year are spending up to nine per cent of their income on child care?

Mrs Bridge: No, I have not seen the report, but something we have noticed is that lower income families are not able to afford a quality early-education-in-care regulated setting. We are not seeing many of those families at all, because, even with the childcare benefit—and, as I said, it has devalued through bracket creep and not keeping up with the real costs of raising a family and having them in an early-education centre—those families are really struggling. It is the children with additional needs and children from lower socioeconomic households who really do need to have an early education as well. It is not just the high-end families that are being affected.

Senator HANSON-YOUNG: What is your view of this being a budget saving measure? The government are obviously doing this because they do not want to have to pay this money out to families, whether it is 100,000 or 150,000. What is your view on cutting support to families through freezing the indexation as a way of saving money?

Mrs Bridge: The Australian Childcare Alliance feels that families need support at this time. We have seen how they have struggled. Unaffordability has been a major issue in the press for a long, long time, with families really saying how tough it is. We believe that, if we increase our female workforce participation, it becomes cost positive to the government to fund a quality early-education-in-care setting for families.

Senator HANSON-YOUNG: Please correct me if I am wrong about what you are saying, but this is what I have interpreted from you. Are you saying that it is a reality to see people, families, choosing other options rather than professional care for their children, if indeed they start hitting this cap much earlier in the financial year?

Mrs Bridge: We have only got from the survey that 26 per cent said they would choose an informal option, but we also see a lot of grandparents that are really struggling under the pressure these days of looking after children, so it is probably a patchwork for families if they choose to stay in the workforce. But we do also see a lot of families who are just working the Tuesday, Wednesday and Thursday now and dropping off the two days to cut back the fees.

Senator HANSON-YOUNG: The figures from the government suggest that upwards of 80 to 90 per cent of people are actually well and truly okay and within the capped level. You are suggesting that that is not necessarily representative of families' needs?

Mrs Bridge: It is not, because there are many things impacting as well as this. This is just the icing on the cake, shall we say, because this is the one that is also causing the families to find it difficult because of the increased costs. The cost of living has gone up incredibly for them—and the cost of child care with the National Quality Framework.

ACTING CHAIR: Mrs Bridge, because this cap will remain in place until 2017 and you have made the point that services are low on their enrolment numbers on Mondays and Fridays, could you envisage a situation where services might close?

Mrs Bridge: If there is no relief for families in assisting them with their affordability issues now till 2017, I am sure we will see a major decline in usage.

ACTING CHAIR: Thank you, Mrs Bridge. We turn now to Early Childhood Australia, and I invite Ms Samantha Page to make an opening statement.

Ms Page: Thank you very much. We have provided a submission. I am just going to speak very briefly to that, and then I am happy to take questions. There was a bit of a quick turnaround on this one! We argue in our submission, similar to the Australian Childcare Alliance, that we do not support the pause on indexation to be extended to 2017. There are a number of reasons for that. The first is that we see the erosion of subsidies for early childhood services and we think that the cap on indexation is having a negative impact on families, particularly middle-income families. We have made that point in our submission quite clearly—that we think it is the middle-income families that are suffering the most from the continued pause on indexation.

We understood the rationale for the pause the first time around was to support the implementation of the National Quality Framework. We think that was a very important reform. The rationale for a pause the second time, under the former Labor government, was to fund the \$300 million Early Years Quality Fund, which would see an increase in professional wages of early childhood educators. However, that fund is in doubt. So we are particularly concerned about a pause on indexation that not only hurts families but does not redirect the funding in another useful way or way that might otherwise benefit children. At the moment it looks like the savings from this measure will potentially just go back into consolidated revenue and not be spent in the best interests of children. That concerns us particularly. We have made that point in our submission.

In the context of the Productivity Commission inquiry, we believe that that is an opportunity to do a roots-and-branch look at the whole early childhood system. We welcome that opportunity and that process. However, it seems unfortunate to pause the childcare rebate until 2017 when such a major review is underway. I agree with the comments from Gwyn that it will have an impact on utilisation of early childhood services, and we are already in a position of uncertainty both for families and for providers in the sector.

We have estimated, using data that is publicly available, that whereas three per cent of Australian families reached the \$7,500 cap in 2010-11, government estimates show that it is now more than 15.5 per cent of families. That is families that are known to be hitting the cap. We would expect that there are a whole load of families that have made decisions about their utilisation of early childhood services anticipating that they might reach the cap and not wanting to do that; therefore, we anticipate the impact would be much broader than 15.5 per cent. But that is the known proportion of families at least that are reaching that limit at the moment.

We would be very interested in seeing some research on the decisions that families are making around their utilisation of early childhood services. Why people use, on average, 30 hours rather than five days a week would be a good question to ask. We suspect it has something to do with the childcare rebate cap. As we suggested in our submission, we think that it would be more progressive to apply a means test to the childcare rebate than to freeze indexation on the cap.

ACTING CHAIR: Ms Shaw, do you have anything to add?

Ms Shaw: I would just reiterate that the value of the childcare rebate is declining significantly, with an average increase in costs of seven per cent over the last 10 years. Comparatively, the CPI is a lot less than that seven per cent.

ACTING CHAIR: You say in your submission that you think middle-income families will be the hardest hit by this pause on indexation of the childcare rebate. You make the point that often a second income earner wage goes to funding early childhood services. Can you tell us any more about that?

Ms Page: There is not a whole lot of research about the decisions people are making; however, the research that was included in the Productivity Commission discussion paper showed that the proportion of disposable income spent by middle-income families was significant and their utilisation is quite high. So a pause in the rebate will particularly impact on those families.

Senator HANSON-YOUNG: So you have been able to pull data together that says about 15.5 per cent of families are going to be directly impacted by this. I take on board your point in relation to the fact that other people may be keeping themselves out of that capped level by virtue of not being able to afford it anyway.

Ms Page: That is right. That is the forward estimates in relation to how many people will hit the cap in 2016-17. However, as you point out, there might be lots more families who would, if they could use the amount of child care that they need, be hitting that cap but have pulled back from that because they are concerned about cost. We are concerned also about what decisions those families are making in terms whether they are continuing to participate in the workforce at higher levels but using informal care arrangements or other arrangements, or whether they are pulling back on workforce participation in order to stay under the cap.

Senator HANSON-YOUNG: So does that 15.3 per cent include a modelling which suggests—and I am sure you have noted—that costs have, on average, risen by seven per cent, when CPI is not even matched at that same rate?

Ms Page: We have not estimated cost increases through to 2016-17. This is based on government data around the federal budget, from the forward estimates. However, there is no reason to believe that fee increases are going to reduce and they have been, on average, seven per cent in the last few years and, indeed, over the last decade. I should point out that those are fee increases, not necessarily cost increases. There is a difference between the two. We do not also have a whole lot of Australian research on what the actual cost of delivery is and what difference there is between costed delivery and price.

Senator HANSON-YOUNG: Sure, but either way that fee is what parents are having to get their rebate based on.

Ms Page: Absolutely.

Senator HANSON-YOUNG: So that 15.3 per cent could actually be much higher?

Ms Page: Yes.

Senator HANSON-YOUNG: Effectively, in terms of matching the increase of the actual money to what is coming out of parents' pockets.

Ms Page: And also because all the trends are that we have higher utilisation. So as you have more children coming into the system and using higher hours per week, you would expect that percentage to increase as well.

Senator HANSON-YOUNG: Okay. I will ask you the same question, Ms Page: what is your feeling of this? The argument for the government is that they have to save money and the budget is not a magic pudding. I realise that previous to the election and after the release of the budget in May, the government did not foreshadowed what they were going to do. Even so, they have a debt level to manage. What is your response to that?

Ms Page: We would make two points in response to that. One is that there are few areas where social investment is better justified than in early childhood education. We have good data on the economic benefits of investing in early childhood education both in terms of long-term outcomes for children and also in terms of the workforce participation rates of women. You get an immediate economic benefit and a long-term economic benefit for investing in early childhood education. Secondly, I would be very happy for Early Childhood Australia to make suggestions to the government of where else they might save some money, rather than taking it out of middle-income families who use early childhood education services.

Senator HANSON-YOUNG: What is your organisation's view on the average cost of child care for families—per day, per week, per year?

Ms Page: It is very hard to pin down because it is a sessional fee, so a daily fee. Recently, we looked at a sample of services in New South Wales and the ACT. You would say the medium was around \$75 to \$100 a day. However, there were services as low as \$50 a day and there were services as high as \$125 a day. Opening hours have a big impact on that. I would imagine that a service charging \$50 a day is a short session service, not a full-day service. Also, the cost of premises and location is another major factor. So it is difficult. The cost of inner-city Sydney would be very different from the cost of rural Victoria. However, across the country, I would probably agree with Gwyn that it is in the order of \$75 to \$80 a day on average. I would think that that is about where we are looking, although there would be many people living in areas where they are not be able to access a service at that rate.

Senator HANSON-YOUNG: We also know that in inner-city areas availability is stretched in terms of being able to even get your child in for five days a week.

Ms Page: Yes.

Senator HANSON-YOUNG: What impact does that make on whether families pick or choose to hit the cap or not? Does accessibility play into that?

Ms Page: I think the three things are related—the issues of access, affordability and flexibility—so, where there is an undersupply of services, you will often find higher daily fees and, if those services are also offering good flexibility in terms of long-day operating hours, that will also impact on fees.

Senator HANSON-YOUNG: What is your concern about the point that Mrs Bridge raised in terms of families using other options to access a different type of care once they have hit that cap of \$7,500? If they hit it by April, as Mrs Bridge pointed out, or they have factored that into their year—maybe they need an extra day here or an extra day there, whether it is a Monday or a Friday of a week—what types of care are families using in addition, and do you have any concerns about that?

Ms Page: We do have concerns about that. We do not know what families are doing in terms of whether they are reducing their workforce participation to stay home with children, which would not concern us as much as perhaps if they are continuing their workforce participation but using a patchwork of different care arrangements.

We are increasingly concerned about private nannies being used to care for children for multiple families which is increasing and is an issue of concern.

Senator HANSON-YOUNG: Which is not a formalised family day care.

Ms Page: That is right. That is outside of the regulations, and families are not eligible for subsidies for that. But more importantly it is potentially more risky because you have a reasonably large number of children in an environment that is not set up for that sort of care arrangement. We are concerned about that. However, I have to say, we do not know for sure. We do not have hard data.

Senator HANSON-YOUNG: You are saying 15.3 per cent of families—and we have gone through why that is quite conservative—from your calculations. You break that down into hard numbers—if they are suggesting somewhere between 100,000 families, is that a lot in the big scheme of things? We will ask the department when they come up—so there's a question on notice for them if they are listening. Should we be worried about 100,000 families, or maybe that is collateral damage for saving some money in the budget?

Ms Page: We would be very concerned about 100,000 children potentially impacted by the measure. I must point out the 15.5 per cent is not our calculation. That is in the forward estimates in the federal budget.

Senator HANSON-YOUNG: That is their calculation.

Ms Page: That is the government's calculation; it is not ours. However, we are suggesting that it is probably an under-representation.

CHAIR: Is there anything else that Mrs Bridge, Ms Page or Ms Shaw would like to add?

Senator HANSON-YOUNG: Can I ask one final question?

CHAIR: You may.

Senator HANSON-YOUNG: Thank you. You mentioned at the beginning, Ms Page, that you put your submission together—and thank you for that. You said that it was quite a rushed job—my words, not yours. And I appreciate that because this inquiry has only been slapped together very quickly. Do you think there is any understanding out there amongst families and amongst centres that this freeze is even being proposed at the moment by the government?

Ms Page: I think families in general are very confused about the childcare rebate. Many do not know the difference between the childcare rebate as opposed to the childcare benefit or really understand the way the whole rebate system works.

You will often hear parents say that what they pay for early childhood services is the amount that they pay before government subsidies are applied, suggesting that they do not recognise the government subsidy as a rebate on that cost. I think that there is a range of confusion, generally, amongst parents. However, I think that for those parents who hit the cap and suddenly lose their rebate it is a particularly worrying thing to happen, and that can take a lot of parents by surprise. That is certainly something that we hear anecdotally from providers—that parents are shocked when that occurs—and that can result in bad debts accruing in services because parents have not budgeted for that and have not allowed for that additional cost for that once they hit the cap.

Senator HANSON-YOUNG: Do you think there is awareness that this is what the current Abbott government is planning to do?

Ms Page: Probably no more so than most people are across the details of what happens in this place.

CHAIR: Are they aware of the previous government's plans for freezing indexation?

Ms Page: I do not think it was a particularly well-discussed topic during the election, so I do not know that the general public would know what position either party was taking to the election. I do not know that people generally understand that the rebate should be indexed, because most people who are in the system now would not have experienced indexation.

CHAIR: So this is the norm?

Ms Page: Yes, that is right. Children generally need early childhood services for just the four years, so they are not likely to be expecting indexation.

Mrs Bridge: Could I just add that in our survey of the 1,400 families, 1,238 said that they would vote for the party that commits to making child care more affordable and accessible. I do not think that they were really aware that this rebate freeze was going to continue.

CHAIR: Right. Thank you so much for that evidence.

BARTONE, Mr Gino, Legal and Policy Officer, Australian Taxation Office

BROWN, Mr Philip, Branch Manager, Parental Payments and Family Research, Department of Social Services

CADDICK, Mr Oliver, Director, Student Payment Program Performance Section, Department of Social Services

KIMBER, Mr Murray, Branch Manager, Payment Integrity and Performance Information, Department of Social Services

LINDENMAYER, Ms Diana, Acting Branch Manager, Family Payments and Child Support, Department of Social Services

PEARCE, Ms Margaret, Group Manager, Early Childhood Care Support Group and Early Childhood Education and Care, Department of Education

TOBIAS, Mrs Emma, Acting Assistant Commissioner, Client Account Services, Australian Taxation Office

WILLING, Mr Jeff, Branch Manager, Payments to Families and Services Branch and Early Childhood Education and Care, Department of Education

WILSON, Ms Jackie, Deputy Secretary, Early Childhood Education and Care, Department of Education

[19:46]

CHAIR: I now welcome and call the officers of the Department of Education, the Department of Social Services and the Australian Tax Office—an eclectic mix! Information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. I remind witnesses that the Senate has resolved that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy, and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions that ask for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how the policies were adopted.

There is no submission but we appreciate your appearance before the committee. I now invite you to make a short opening statement, and at the conclusion of your remarks I will invite members of the committee to put some questions to you. If there is no opening statement we will go straight to questions.

Senator LINES: My question is to the Department of Education. In terms of pausing the childcare rebate cap from 1 July 2014 to 2017, what are the savings?

Ms Wilson: The indicative savings are a total of \$105.8 million over the three-year period.

Senator LINES: And, in terms of impact on families, what research have you done? In terms of which income level of families will hit the cap first? What will that impact be—what research have you done?

Ms Wilson: I assume you are continuing the discussion you had with people at the table earlier. I think approximately 100,000 families are estimated to reach the childcare rebate annual limit in 2014-15.

Senator LINES: So when will they reach that limit?

Ms Wilson: Over the course of that financial year.

Senator LINES: But when? Which month? If they are receiving a rebate, when will that rebate run out?

Ms Wilson: I think our modelling suggests probably March to April in the 2015 financial year.

Senator LINES: And what is that based on? How have you worked that out?

Ms Wilson: I might turn to my colleagues to see if they can help me in the modelling area.

Mr Willing: The modelling is based on the whole range of factors. It is the model that we agree with the Department of Finance, so it is not a simple, single, family or person's entitlements. It is more than just a simple average; it is multiple averages across families; and, depending on the fees that they are charging and the service types that they are accessing, it extrapolates current usage in the outyears, with some growth in numbers of families accessing the care as well, to come up with those numbers.

Senator LINES: And what growth number have you put into the calculation?

Mr Willing: I will have to take that on notice.

Senator LINES: So when will you be able to get us that figure?

Mr Willing: I am not quite sure.

Senator HANSON-YOUNG: Well we have to report back by Wednesday, so we are going to have to have it before then.

Mr Willing: As soon as possible.

Senator LINES: And what is the fee range you have looked at?

Mr Willing: Within the model?

Senator LINES: Yes.

Mr Willing: I do not have those details with me.

Senator LINES: But you can supply that?

Mr Willing: We should be able to.

Senator LINES: And have you done that modelling on—how many children?

Mr Willing: The modelling is based on the full cohort of children at the point in time when the model applies outwards. So it is not a sample; it is full modelling.

Senator LINES: Okay. Using CCMS data?

Mr Willing: Yes, largely CCMS data.

Senator LINES: So you cannot tell us right now what the growth number is. Is there anybody who could get that number?

Mr Willing: Not here, this evening.

Senator LINES: What about usage patterns? What have you assumed in the model?

Mr Willing: As in, numbers of hours accessed and children? I would need to take that on notice.

Senator LINES: It is a little frustrating that we have called you to give evidence today on the childcare rebate—

Senator HANSON-YOUNG: And the whole thing is based on modelling.

Senator LINES: I would have assumed that you would come with this information.

Senator HANSON-YOUNG: How do you know you can save \$103.8 million, yet you cannot tell us what that calculation is based on?

Ms Wilson: If I can just respond to that: the cost is an agreed cost with Finance. As Mr Willing said, it is part of a BCCR model that we have with Finance, so the savings were agreed in the 2013-14 budget under the previous government with Finance, and that is what we are using the modelling from. Apologies that we did not bring someone who had the ins and outs of that model, but they are the same numbers that were used in the budget papers that actually signalled the pause in the annual limit.

Senator LINES: So you are going to come back to us with what your projected growth numbers are, looking at the fees charged and usage patterns. What else is in that model? What else do you take into account?

Ms Wilson: We would take into account increased take-up of child care, different proportions across the different areas of child care, increases in numbers of children, numbers of hours of access—all of those things are in the CCB and CCR models.

Senator LINES: Can you separate out long day care? That is particularly what I am interested in. I do not want you to give me a whole lot of figures that include family day care, out-of-school care and long day care. I am sorry; I should have made that clear. I am really interested in the growth in numbers in the usage of long day care, fees charged in long day care and usage patterns in long day care—not an average across out-of-school care, family day care and long day care, or in-home care. Presumably that is what you will give me, but I am really interested in long day care.

Ms Wilson: The model will have all of that in it, so we will just need to look at if we can strip out the long day care specific service type from the rest of it for you.

Senator LINES: In terms of the modelling, you were saying that around 100,000 families will reach the cap in March or April. Is this middle-income families or where would you think those families would sit?

Mr Willing: The majority of families would be middle to high income. I can give you a quick rundown of the breakdown by incomes, if you would like. Of those 100,000, the number of families with incomes under \$50,000 is 1,035.

Senator LINES: You could probably table that. Is that possible?

Mr Willing: We could.

Senator LINES: Presumably that is out of the budget.

Mr Willing: It is the same modelling, yes.

Senator LINES: Okay, so I do not think we need to waste time with that. Thank you.

Senator HANSON-YOUNG: Ms Wilson, could I go back to what you were saying about the model and how you have come up with these figures based on working with Finance and the fact that it was in the budget. Would you then agree with the evidence that was put forward before by Early Childhood Australia? They said they used their figures from the budget but that this was going to impact on 15.3 per cent of families who were going to hit the cap.

Ms Wilson: I think we can confirm that in 2016-17 we have a similar percentage that would reach the cap of total families receiving assistance.

Senator HANSON-YOUNG: Do you take on board their comments in relation to the fact that the fees that families are being charged have increased by an average of seven per cent—which is obviously higher than CPI anyway, so perhaps that 15.3 is quite a conservative number.

Ms Wilson: Certainly. We have information on our website which is based on the CCMS data collection, and that suggests for the March quarter an increase of seven per cent since the March quarter 2012—so between 2012 and 2013 it was a seven per cent increase.

Senator HANSON-YOUNG: Do you know whether that fee increase has been factored into your model?

Ms Wilson: We will have some growth in rates in our model; we will just need to confirm what those growth rates are and what the levels are.

Senator HANSON-YOUNG: In terms of the actual number of families that you believe are going to be impacted by this, could you give us a number as opposed to the 15.3 per cent statistic?

Ms Wilson: So you are talking about the breakdown of the families across—

Senator HANSON-YOUNG: The families who will hit the cap and the number of families who will hit the \$7,500 cap and therefore will not be able to claim the rebate after, say, March-April.

Ms Wilson: That would be 147,000 in 2016-17.

Senator HANSON-YOUNG: And what about the next financial year?

Ms Wilson: It finishes on 30 June. I can give you 2014-15, 2015-16—

Senator HANSON-YOUNG: Do that for me, please.

Ms Wilson: About 100,000 families in 2014-15, approximately 120,000 in 2015-16, and 147,000 in 2016-17.

Senator LINES: Are these all families or long day care families?

Ms Wilson: These are all families.

Senator LINES: Can you separate out long day care, please?

Ms Wilson: We do not have it with us; we will have to see whether we have the information disaggregated so we can provide it as quickly as possible.

Senator HANSON-YOUNG: The increase from the 2013-14 figure of 100,000 to two years later, 2016-17, a figure of 147,000 is almost a 50 per cent increase. That is quite significant. Will the information you are going to come back to us with, with modelling, show why that is such a huge increase?

Ms Wilson: It will certainly break down the number of families using it, the hours; we will try to break it down by sector, by service time, and give the numbers a bit more dimension.

Senator HANSON-YOUNG: For those 100,000 to 147,000 families, what is the estimated additional cost they would incur once they have hit their rebate cap?

Ms Wilson: The average will result in families forgoing an average of \$5 a week increase in CCR in 2014-15. I do not have the numbers for the out years.

Senator LINES: I would be interested to know how you came up with that. It sounds very small. As you would have heard, in evidence both ACA and ECA say the average fee across the country is between \$80 and \$100 per day, and yet you are saying the disadvantage is \$5 a week once the cap is reached.

Ms Wilson: That is the information I have.

Senator LINES: That does not make sense.

Ms Wilson: I am sorry, I was not here for the previous discussion.

Senator HANSON-YOUNG: Could you step us through how you have come up with that \$5 a week figure?

Ms Wilson: That will be in the modelling.

Senator LINES: And of course this is modelling that includes family day care, out of school care and long day care. That is why it needs to be separated out.

Ms Wilson: It has all the service types.

Senator HANSON-YOUNG: When was that model constructed?

Ms Wilson: The childcare benefit CCR model has been in place for many years. I will see whether we have an exact date, but it is quite a long period.

Mr Willing: It is quite a longstanding model but the calculations were done for this year's budget.

Senator HANSON-YOUNG: What is the purpose of freezing a rebate? If we can see that the cost of child care is going up—you can see that from the figures for the families it impacts on; a 50 per cent increase over a two-year period—what is the purpose of it?

Ms Wilson: I think that is a question better directed to government, but the announcement was made in the 2013-14 federal budget, as you are aware, to maintain the rebate limit for the next three years, and this legislation is about enacting an announcement that was made in the 2013-14 budget.

CHAIR: Who made that announcement?

Ms Wilson: It was made as part of the budget measures, in May.

Senator HANSON-YOUNG: Was the \$7,500 figure the indexed rate in the 2008-09 financial year?

Ms Wilson: That is right.

Senator HANSON-YOUNG: Had the index not been frozen in previous years, where would it be up to in the 2013-14 financial year?

Ms Wilson: That is not the sort of modelling we do, because it has not been the government commitment to index. We do not have that figure.

Senator HANSON-YOUNG: There is always a reason why you index particular payments—to keep up with CPI. If something has been frozen since 2008-09 and it is about to be frozen for another three years, that is seven or eight years frozen. Look at the figures for the families it impacting on. Obviously the impact is growing year-by-year. Imagine all the families that actually should have been receiving it over the last seven years. Far more than 140,000 I would imagine.

Mr Willing: As you said, correctly, the indexed rate in 2008-09 was \$7,500; it did actually increase the following year to \$7,778, then in the following year, 2010-11, to \$7,941 and then the current measure that is in place reduced it back to \$7,500 in 2011-12 for the three years.

Senator HANSON-YOUNG: That is right. The Senate did not like it the first time around, if I remember. We were being told it was going to impact on about 28,000 families, from my vague memory of the Senate hearings back then. If it had kept going up, where would we be by now? Surely you must have that?

Mr Willing: The only number we have was the number that it would have gone to in 2011-12—because the CPI was known, it is not hard to do. The number for that year would have been \$8,155.

Senator LINES: But of course the piece that you do not have any control over is the fees that are charged and, whilst there has been a pause on indexation, it is certainly also the case that fees have risen quite substantially.

Senator HANSON-YOUNG: This is why it is quite important to factor this 7 per cent increase into any modelling of how many families are actually going to be impacted. The \$5 a week seems extremely low, but has the department looked at the impact on decisions that families will make about the type of care they enrol their children in?

Ms Wilson: No, we have done no modelling of that type.

Senator HANSON-YOUNG: You have not been requested by either the previous minister or this minister to do that?

Ms Wilson: No, Senator.

Senator HANSON-YOUNG: The debate about the freezing of indexation has been around since 2008-09. Has there been any work done in that field, even in previous years, about what impact it will have on families' choices?

Ms Wilson: I will just check with my colleagues if they are aware of anything, but not to my knowledge. The Productivity Commission inquiry into the early childhood education and care area is looking at affordability, flexibility and accessibility, so we would imagine that they would be doing a significant piece of work which would go to all of these things you are raising now about the settings and the number of people who will be affected or benefit from government and where the different relativities should sit. I guess the government is very keen to get the feedback out of the Productivity Commission inquiry to help inform them on how early childhood and care will look going forward.

Senator HANSON-YOUNG: Does the department have any concerns once families have reached their cap, whether it is in the May-April period or indeed if they have decided to stretch out their time over the financial year in terms of the hours that they enrol their children, about the use of unregulated care that families may opt for for affordability's sake?

Ms Wilson: We have had no concerns directly raised with us. I heard some of the comments made by the last speaker but we have had none of those concerns raised with us.

Senator HANSON-YOUNG: Mr Willing, have those concerns ever been raised with the department by previous ministers that you are aware of?

Mr Willing: No, not that we are aware of.

Senator HANSON-YOUNG: What would you say to the concerns raised by the previous witnesses, then? Can you see that they are valid or do you believe that is just a bit of unnecessary concern?

Ms Wilson: The government has made a commitment to quality care and making it more affordable and accessible. For us the major piece of work is the PC inquiry, and it is hard to pre-empt that. One of the reasons the PC inquiry has been commissioned is to look at those issues, because this government and Minister Ley in particular have heard concerns raised by families. As she has been travelling around, the minister has heard concerns about affordability, so I certainly would not dismiss the concerns, but I think the process we have underway is the way to address that.

Senator HANSON-YOUNG: Although, of course, this freeze was listed on the budget books before there was any reference to a Productivity Commission inquiry.

Ms Wilson: Sure, and I think the government have said that maintaining the cap for another three years is pending the outcome of the PC inquiry and they will address the full suite of recommendations coming out of that inquiry. So this piece of legislation seeks to implement a previous government announcement until the findings of the PC inquiry are known.

Senator HANSON-YOUNG: Has the government given a date? Obviously the PC inquiry will hand down its report in October next year.

Ms Wilson: That is right.

Senator HANSON-YOUNG: When would you foresee the government responding to whatever the recommendations happen to be? What type of time frame?

Ms Wilson: I think it is really hard to predict that. We do not know what the depth and breadth of the recommendations coming out of the PC inquiry will be. But certainly I think the Productivity Commission is required under its act to table reports in parliament over a certain period from which they are provided to the minister. I do not have that information with me, but I am sure the government will be considering it as soon as a report is provided. I just do not know the time frame in which it will respond.

Senator HANSON-YOUNG: What type of consultation has been undertaken with service providers about the continued freeze of the indexation?

Ms Wilson: It was a decision of the previous government. I am not aware of any specific consultation that happened in relation to it. It was a decision to extend an annual limit or cap going forward.

Senator HANSON-YOUNG: What will the department do—if indeed this measure gets passed—to make sure families know that they are about to incur higher effective costs of childcare because of this measure? What communication is going to be done?

Ms Wilson: We have a number of communication channels. However, the contact with the customer is largely managed through Human Services on our behalf, so we would talk to them about giving them advance notice and the normal communication streams that they have with parents.

Senator HANSON-YOUNG: Obviously, when you talk about the cost of child care going up by seven per cent, you would know in your modelling and your data, based on the families who have hit the cap in the past and

those who are not very far from it, which families are most likely to hit that cap. Will they be told that they are about to lose a minimum of \$5 a week?

Ms Wilson: It is hard to predict exactly which cohort. As Mr Willing said earlier, it is middle- to high-income earners. It depends on the number of hours of care required and the cost of the care for each of the children and whether they have consistent patterns of usage of care. So targeting an exact group would be quite complicated to do in terms of messaging.

Mr Willing: Yes. We in DHS normally try to do quite broad communication campaigns because people's circumstances change throughout the year, so they take on more work and/or more child care. Someone who at the start of the year might not have envisaged going anywhere near a cap may be looking at a cap later in the year, and if we had not told everybody then there would be a risk that people would not be aware.

Senator HANSON-YOUNG: Have service providers contacted you? Has the department had any feedback from service providers about bad debts that have been incurred because families are reaching the cap without understanding that that was going to occur? We heard previous evidence suggesting that it ends up being the service that has to carry a lot of it at the end of the day.

Mr Willing: I cannot recall any specific questions like that. The ministers have received a number of ministerials about bad debt and services having to manage debt because of the complexities and people not understanding. I cannot recall any of them specifically citing reaching the cap, but ministers have received in the past correspondence from individuals, families and parents, who have reached the cap and have raised concerns about that, changing their circumstances, along the lines of what was raised by the earlier witnesses.

Senator RHIANNON: Could the department outline the impact on students of the legislation with regard to the scholarships, particularly on those students from regional areas and disadvantaged students. Could I have your overall assessment and any analysis in terms of breaking it up.

Mr Kimber: The estimated impact of this measure is that around 80,000 students in 2014 will be eligible to receive the student start-up loan. We estimate in the order of 20,000 students from regional and remote areas will be part of that number.

Senator RHIANNON: Have you done any breakdowns for Indigenous students?

Mr Kimber: Not in terms of socioeconomic status et cetera. You have to remember that youth allowance in particular is means tested and also Austudy is subject to an income test. Youth allowance is subject to a parental means test. So these measures are already means tested.

Senator RHIANNON: Are you making an assumption that everybody who would be eligible for a start-up scholarship will move over to a loan? Have you looked at whether there could be any drop-out rate?

Mr Kimber: We have. These loans are available for new recipients of Austudy, youth allowance and Abstudy. Those that are currently receiving a start-up scholarship will be what we call grandfathered. They will be able to still receive a scholarship until they move out of the income support system. Each year there are over 80,000 new recipients of youth allowance, Austudy and Abstudy. So the 80,000 is our estimate of what the take-up would be.

Senator RHIANNON: The 80,000 is under the current system; what is the percentage of drop-out overall that you would expect, going over to a loan system.

Mr Kimber: My colleague says 20 per cent.

Mr Caddick: The drop-out we have assumed is 20 per cent every six months. That is, of the existing Student Start-up Scholarship population 20 per cent will drop out every six months and effectively they will be replaced by people taking you up loans.

Senator RHIANNON: Do you mean that because we are going from a scholarship to a loan, because of that debt burden or for whatever reason there will be a drop-off of 20 per cent? Is that what you looked at? Is that what we are concluding from those figures.

Mr Kimber: I think what Mr Caddick is suggesting is that, as I said, you get new income support recipients coming on. They will not be eligible for a start-up scholarship so therefore there is a move from those that were eligible for a scholarship to those that will be eligible for a loan, and we are expecting that to shift by about 20 per cent each six months.

Senator RHIANNON: So there would be a lower take-up rate when it is loans compared to what it was previously. Is that a fair conclusion?

Mr Kimber: I think if you look at the provision of a scholarship, which does not actually have to be repaid, there will be some behavioural impact because of the measure. Some students may elect not to take up a loan whereby their scholarship is paid automatically once youth allowance, Austudy or Abstudy is approved.

Senator RHIANNON: Just staying with this analysis of the figures—and hopefully you have done the analysis—have you looked at it in terms of gender?

Mr Kimber: No, we have not, but I will confer with my colleague.

Mr Caddick: No, the assumption has been that there would not be any special gender effects.

Senator RHIANNON: So you have assessed that there would not be special gender effects? I was interested in that research done in 2002 or 2003 by Kerry Carrington and Angela Pratt. They were finding that high school students' assessment of the impact of the cost of university education was that there was a substantial gender difference; disadvantaged female students responded that they were very concerned and doubted that they could continue or take up education. I understood that was a fairly substantial body of research, so I am interested in what your assessment—that there would not be that difference—was based on.

Mr Kimber: We have done our estimates based on overall student numbers and the take-up of Commonwealth supported places et cetera, and the growth in student numbers overall. We have not done an analysis based on gender. Sorry, I am not familiar with the research that you have just quoted.

Senator RHIANNON: Going back to the comments from Mr Caddick that you had concluded—I want to get the words right and I am certainly not putting words in your mouth—but I thought you said that you had assessed there was not a gender difference.

Mr Caddick: I think what I was saying was that when we did the analysis of the modelling, if you like, for the measure, as Mr Kimber has just said, we did that based on the number of overall students. So there was no specific modelling about gender effects.

Senator RHIANNON: Thanks. Going back to the big picture, I was interested in the overall budget saving anticipated with this measure.

Mr Kimber: Over the four years from 2013-14 through to 2016-17 it is estimated that budget savings will be in the order of \$1.2 billion.

Senator RHIANNON: You would be aware that the Bradley review discusses the target that 40 per cent of 25 to 34-year-olds should have obtained at least a bachelor level qualification by 2020, so I was wondering if any modelling has been done in the preparation of this legislation of what the impact would be on that target of 40 per cent.

Mr Kimber: There has not been any modelling done that I am aware of.

Senator RHIANNON: Considering that seemed to be quite a significant part of where government wants to take higher education, are there plans to do that or to look at this in any way at all?

Mr Kimber: Not at this stage.

Senator RHIANNON: A further target in the review is that by 2020, 20 per cent of undergraduate enrolments in higher education should be students from low socioeconomic backgrounds, so again I was wondering if any modelling has been done of how this measure will impact the participation of those people from low socioeconomic backgrounds.

Mr Kimber: Once again I am not aware of any modelling that was undertaken as part of the 2013-14 budget decision.

Senator RHIANNON: Looking at the types of loans themselves, I was interested in the advantages of the student start-up loan being made separate from the current HECS-HELP and FEE-HELP schemes.

Mr Kimber: In terms of the repayment arrangements?

Senator RHIANNON: My next question was going to be: has there been any consideration of rolling them into one? Would there be a saving on admin costs et cetera? So I was interested, in the first instance, in why we have these separate schemes, and my thinking behind that was: is there an advantage or is it costly?

Mr Kimber: The genesis of the loans obviously is the conversion of the current scholarships into loans. The scholarships are currently, and the loans will be, paid under the appropriation from the Social Security Act and not part of the Higher Education Act, which sources the HELP loans, et cetera. DHS will actually administer the loans and then they will transfer to the ATO for collection, but in terms of particular savings I am not aware of any estimates or any consideration when that decision was taken.

Senator RHIANNON: Would that we something you would be looking at once you have got it set up? Do you roll them in? Is that where this would go?

Mr Kimber: That would be something for government to consider. Although, having them separate, with the start-up loans, the repayment of those is not triggered until the HECS-HELP loan is fully extinguished. Therefore, having them separate and not rolled in allows the start-up loan to have no payments made until the extinguishment of the HELP loan.

Mr Caddick: Because the loans are paid sequentially under the same arrangements, from an administrative point of view—and colleagues from Tax might be able to better clarify this—I do not think you would achieve savings by rolling them in, as you say. They are separately identified in an accounting sense, but the administration of their collection is very similar.

Senator RHIANNON: You are saying that putting them all in one would not bring a benefit?

Mr Caddick: Not in terms of administrative costs, in my understanding.

Mrs Tobias: We would agree with Mr Caddick in relation to that. The way that both the loans have been set up means that we can mirror the same process and technology to actually administer both of those loans.

Senator RHIANNON: Thank you. I might just go back to the question that I was asking before about women from low socioeconomic backgrounds. It has been assessed that they are more sensitive to cost factors of education. I was looking for this and have just found it in my papers, where there was research commissioned by the Department of Education in relation to the federal government's base funding review. It comes in Deloitte Access Economics 2012 in research entitled, *The impact of changes to student contribution levels and repayment thresholds on the demand for higher education*. I might read it, because I think that this is important.

The findings of the analysis presented in this report suggest that demand for higher education has demonstrated a negative response to the price increases resulting from recent HECS policy changes. Consistent with the previous study by Aungles et al (2002) but counter to others, the analysis finds that HECS policy changes that result in an increase in the cost of higher education are expected to reduce demand for higher education.

Sorry, that quote is not about women; it is about disadvantaged students in general. That has come from the Department of Education, then it is reported in the Deloitte report of 2012. Is that consistent with your current position?

Mr Kimber: We are from the Department of Social Services. We would actually have to source that particular research. Once again, I am actually not familiar with it, but I think that it is important to note that these loans are voluntary. There is not an obligation for a student to take them up. They are also income contingent in terms of their repayment. And it is not the allowance; it is actually the start-up scholarship component. It is not the living allowance or the fortnightly payment that is being taken out as a loan. It is actually limited to two loans per year of \$1,000, so it is capped in that arrangement.

Senator LINES: What are the charges or penalties for failing to meet obligations if you have got a student start-up loan?

Mr Kimber: Once the student reaches the deemed date—I think it is called—or the date of effect, the payment becomes a loan and is collectable through an income-contingent repayable arrangement. The only time that a student would incur any type of penalty is if they applied for a loan and did not meet the obligations to maintain their enrolment and meet the date of effect. Then it would become a debt under the Social Security Act and would be repaid in the normal arrangements there.

Senator LINES: So they are standard charges?

Mr Kimber: Sorry?

Senator LINES: The penalty—I note in the notes there was a penalty—is standard, is it?

Mr Kimber: And part of this bill is a general interest charge so they may be charged that but that is subject to the consideration of that—

Senator LINES: That was my next question. How is the general interest charge applied?

Mr Kimber: As I said, it is still subject to the parliament's consideration, but it will apply where a recipient has a student debt where they have not entered into a repayment arrangement with the Department of Human Services. It will be activated only if they have not entered into that arrangement.

Senator LINES: What is the percentage charge?

Mr Kimber: That will depend on their financial circumstances, and there will be guidelines through Department of Human Services.

Senator LINES: What is the range?

Mr Kimber: Depending on the level of debt it could be in the order of around \$100 a week. But if they have not continued their study they are likely to be in employment.

Mr Caddick: Could I clarify, Senator: the charge does not relate to any obligations under the terms of the loan. The only time a general interest charge would apply to one of these loans would be if the loan were mis-paid—that is, if it were paid to the person and it became apparent later that they did not qualify for it and then it was raised and then it became a social security debt. Alternatively, if the person ceased studying after 35 days from receiving the loan, under those circumstances the loan would become an ordinary social security debt, but the interest charge would only apply if the person was recalcitrant in repaying the debt.

Senator LINES: My last question refers to the savings on the freezing of indexation on family tax benefit income threshold. What is the savings there?

Ms Lindenmayer: The saving is \$1.2 billion.

Senator LINES: To 2017?

Ms Lindenmayer: Yes. For four years.

Senator LINES: What is the saving on the capping of indexation on the tax benefit part A and B end-of-year supplements?

Ms Lindenmayer: The saving on the end-of-year supplements is \$396 billion over four years.

Senator LINES: And what is the freezing on the income threshold for the PPL?

Mr Brown: The question is about PPL?

Senator LINES: Yes: the freezing of the income threshold for PPL. What is the saving?

Mr Brown: For 2014-15 it is 3.885—

Senator LINES: For the entire period.

Mr Brown: For the entire period, \$22.033 million over forward estimates.

Senator LINES: So the freezing of the family tax benefit is \$1.2 billion over four years?

Ms Lindenmayer: In total, yes.

Senator LINES: And freezing tax benefit parts A and B end-of-year supplements is \$3.966 billion?

Ms Lindenmayer: No, it is \$396 million. So it is a component of the \$1.2 billion.

Senator LINES: So the \$1.2 billion: is that inclusive of the PPL and parts A and B?

Ms Lindenmayer: That is inclusive of all family payments and the end-of-year supplements—

Mr Brown: Apart from PPL.

Senator LINES: So PPL is separate?

Mr Brown: It is separate.

Senator LINES: So it is \$1.26 billion plus \$22—

Mr Brown: I should also say Dad and Partner Pay would also be affected and it is one—

Senator LINES: Sorry?

Mr Brown: Dad and Partner Pay, which is a component of the scheme, will also be affected. That is \$1.055 million over the forward estimates.

Senator LINES: Okay. I thought you said 'Dad pay'. Sorry!

Mr Brown: And partner.

CHAIR: It is late.

Senator LINES: It is late, thank you.

CHAIR: Thank you very much, officers. Some of you have received questions on notice and we would really appreciate it to the secretariat by 1pm tomorrow—that would be fabulous.

Ms Wilson: Senator, if I could just respond. The budget model for CCE and CCR is quite a big beast. It is on a huge excel spreadsheet that is run on a huge database. We will just have to see which bits are the best bits to pull out to answer the questions that Senator Lines asked earlier; we will do our best.

CHAIR: Thank you and given the time frames, we appreciate it.

Senator LINES: Hopefully it will not crash on you. I cannot believe you have it in an excel page. Goodness me!

CHAIR: Thank you very much, officers. The hearing is now closed.

Committee adjourned at 20:36