



Senator Bridget McKenzie  
Senator for Victoria  
Committee Chair  
Senate Standing Committee on Education and Employment  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Sent via email - [eec.sen@aph.gov.au](mailto:eec.sen@aph.gov.au)

Thursday 22 September 2016

**RE: FAMILY ASSISTANCE LEGISLATION AMENDMENT (JOBS FOR FAMILIES CHILD CARE  
PACKAGE) BILL 2015  
&  
THE SOCIAL SERVICES LEGISLATION AMENDMENT (FAMILY PAYMENTS STRUCTURAL  
REFORM AND PARTICIPATION MEASURES) BILL 2016**

Dear Senator McKenzie,

The Parenthood welcomes the opportunity to provide feedback on the *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015* and the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016* and contribute to the Senate Committee's review of these two pieces of legislation.

The Parenthood again welcomes the opportunity to provide input and share feedback on the two pieces of legislation as we did when they were previously before Senate Committees earlier in the year, under the previous Parliament.

This submission combines updated versions of our previous submissions, which will offer Committee members the opportunity to **hear directly from those most affected by these legislative changes – Australian parents and their children.**

We hope that by sharing their experiences, concerns and hopes we can help to reshape some of the features of the government's policy direction for early childhood education and care and reaffirm the need to abandon some of the harshest cuts to Family Tax Benefit payments the government says are needed in order to properly fund childcare reform.



The Parenthood is seeking to ensure we do not shut children out of early learning and care, that we have an early learning and care system that recognises the value of early learning as a benefit to children and as both a means and an incentive that allows parents, in particular mothers to work.

The Parenthood is also seeking to put an end to the government's budgetary decision that ties the additional \$3.2 billion required to fund childcare reform to the passing of \$4.8 billion worth of cuts to the Family Tax Benefit payment system.

**The Parenthood strongly advises Committee members not to support the full cuts to Family Tax Benefits as outlined in the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016.**

We urge Senators not to support reducing the rate of the Family Tax Benefit (FTB) Part B to \$1000.10 per year for individuals with a youngest child aged 13 to 16 years of age or support the phasing out the FTB Part A and Part B supplements over the next two years (2016-18).

**These changes will hit the lowest income families, and in particular sole parent families, the hardest and are simply unfair and wrong.**

**They are not required in order to fund the government's childcare reforms.** The savings the government has already been able to make through changes to FTB payments supported by the Opposition plus several savings made within the childcare budget itself equate to more than enough to cover the cost of childcare reform.

While The Parenthood has some serious concerns with the current "Jobs for Families" legislation, The Parenthood and thousands of parents welcome the significant investment and restructure of the subsidy system. Much of this will translate to thousands of families finding it easier to afford the early learning and care they need for their children and their families.

The Parenthood therefore urges Senate Committee Members to recommend to government that they discontinue with the full suite of cuts to FTB payments and instead focus on delivering their childcare reforms (with some amendments) as quickly as possible.



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## THE PARENTHOOD: REPRESENTING THE PARENTS' PERSPECTIVE

The Parenthood is Australia's leading parent advocacy and campaigning organisation and has close to 50,000 parent members across Australia.

Since the government first announced their intention for childcare reform and the cuts to family payments, The Parenthood has ensured the parent voice has been heard every step of the way.

The message from parents is clear – we value the quality of the early learning and care our children receive, we recognise the benefits this brings to our children's learning and development and we want and need a more affordable, accessible and flexible system.

### **But we absolutely do not want those families who can least afford it to pay for it.**

Low income families and single parent families in particular are already struggling – they truly cannot afford to have such a significant amount of their annual income reduced to the extent as outlined in the Bill this Committee is considering.

Parents have been promised for years now that the Federal Government would fix the affordability and accessibility of childcare. However, due to the budget decision to tie major cuts to family payments, which has had no Senate support to date, to the success of the additional funding for childcare, so far nothing has happened.

Families continue to struggle with the cost and availability of childcare and many are not able to secure the early learning and care they want for their children and what they need for both mum and dad to return to work or work more.

The Parenthood has valued the government's keen focus in addressing these difficulties and we're very glad to see the government announce their intention to inject over \$3 billion into the childcare budget to help make it more affordable and accessible for more families.

However, it's been 656 days now since families were first promised the Coalition Government would make childcare more affordable and accessible – we simply cannot wait any longer.



## 1.0 CHILDCARE PACKAGE HAS ALREADY BEEN PAID FOR

We understand that the government's proposed childcare reforms as outlined in the *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015* will cost the budget an additional \$3.2 billion over the forward estimates.

The government has consistently argued that the only way they can afford to spend an additional \$3.2 billion for childcare is by securing the \$4.8 billion worth of savings in cuts to the Family Tax Benefit system as outlined in the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016*.

However, The Parenthood argues that when you combine both the savings that the government has already secured within the current childcare budget, coupled with the savings in lower than expected projected increase in childcare fees, with the FTB saving measures that have Opposition support, the government currently has more than enough to fully fund their childcare reforms. Accordingly, they don't need to proceed with the full suite of FTB cuts.

Table 1. provides a summary of the savings already secured alongside the cost of the childcare reform package in its first year.

**Table 1.**

	Cost for 2018-19
<b>Cost of new Childcare Subsidy</b>	<b>\$1.300m</b>
<b>Government Savings So Far</b>	
- Family day care child swapping savings	-\$473m
- New childcare compliance measures	-\$27m
- Cut FTB B for children >13yrs couples only	-\$179m
- No Jab No Pay childcare/FTB compliance	-\$138m
- Freeze FTB A higher income for 2 yrs	-\$74.0m
- Abolish FTB A large family supplement s	-\$60m
- Tighten FTB treatment of fringe benefits	-\$42m
- Not proceed with FTB B increase for 0-1 yr olds	-\$123m
- Cut FTB A supplements on incomes above \$80k	-\$560m
<b>TOTAL SAVINGS</b>	<b>\$1.676m</b>

So in the first year of the new childcare subsidy the savings which have already been secured are enough to fund the new subsidy with \$300 million extra savings.

## TheParentHood

The Government will also benefit from lower than forecast increases in childcare fees, as the new subsidy will be paid as a percentage of a capped fee and not the full fee a centre charges. While the package was cast eighteen months ago on an expectation of childcare fees increasing by 6-7% a year<sup>1</sup>, childcare fees are rising at a much slower pace closer to 5 per cent a year given tougher market conditions.<sup>2</sup> By 2018-19, the cumulative effect of 1-2% lower childcare fee growth could reduce childcare subsidy outlays by 4-8% or around \$400-800 million a year.

Accordingly, to argue that the additional investment and progress of the government childcare reform cannot occur until the full suite of \$4.8 billion cuts to Family Payments is a fallacy. The link to Family Tax Benefits looks more like a political link rather than a budgetary one.<sup>3</sup>

It is a political strategy which will adversely impact the same families the government argues its new childcare reforms will especially benefit.

Research from the Australian National University commissioned by The Parenthood revealed the extent to which a number of families who have both a child in early learning and a child in school would be worse off if both the cuts to family payments and the “jobs for family’s” package are passed in their current forms.

For example, a low income family on \$70,000 with both parents working, one child in childcare 2 days a week and another in primary school, they would be \$1,347 worse off in 2017-18 and \$1,046 a year worse off in 2018-19 if both these Bills are passed in their current forms<sup>4</sup>

Accordingly, the benefits of the government’s childcare reforms for low and middle income working families are simply eroded when you consider the impact of the FTB cuts on these same families, which we’re told are needed to fund the childcare reform.

A large number of families using childcare, especially those on lower incomes, won’t actually benefit at all from any increase in childcare subsidy, in fact many will be significantly worse off financially.

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<sup>1</sup>Response to Senate Community Affairs Estimates Committee Question On Notice SQ15-469

<sup>2</sup> Dept of Education admin stats <https://docs.education.gov.au/node/41151>

<sup>3</sup> “Sydney Morning Herald” Nov 14 2015 <http://www.smh.com.au/comment/family-payment-cuts-and-childcare-reforms-form-an-uneasy-marriage-20151112-gkx1rm.html>

<sup>4</sup> Comparison of proposed Coalition policy of Childcare and Family payments with current policy Ben Phillips and Cukkoo Joseph ANU Centre for Social Research and Methods September 2016



Accordingly, we strongly urge Senate Committee Members to recommend the government drop their remaining cuts to the Family Tax Benefit System and instead, noting that they have been able to secure enough savings already, move to quickly progress and fund their childcare reforms.

Parents simply cannot wait any longer for much needed childcare reform and low incomes families cannot afford the extensive cuts to family payments.

## 2.0 THE FAMILY ASSISTANCE LEGISLATION AMENDMENT (JOBS FOR FAMILIES CHILD CARE PACKAGE) BILL 2015

As the Parliament considers the government's final childcare legislation The Parenthood wishes to ensure the breadth of consequences of these changes are acknowledged and fully considered.

While there are some significant benefits to the proposed reforms, this legislation spells out significant changes to the eligibility and amount of childcare subsidy available to families.

The Parenthood argues there are elements that represent a significant risk for many families, where childcare will become even more costly, and eligibility for subsidy too complicated and cumbersome to navigate. We have serious concern for the number of families who will be left worse off and therefore the number of children who may be shut out of early learning altogether.

### 2.1 THE PARENTHOOD "CHILDCARE SURVEY" RESULTS

In response to the Federal Government's announced changes as detailed in their final *Jobs for Families Child Care Package* The Parenthood launched a national survey to gather parent response to these changes.

The survey was conducted online via The Parenthood's website ([theparenthood.org.au](http://theparenthood.org.au)) in January 2016 – **a total of 1,475 responses were collected.**<sup>5</sup> We have used both quantitative and qualitative findings from the survey throughout this submission.

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<sup>5</sup> See Appendix A: The Parenthood's "Childcare Legislation Survey" National Survey Summary of Results.



Summary of findings –

**62.42% of parents did not agree** with the stricter eligibility for the childcare subsidy (despite over 75% of parents admitting they won't be affected by the activity test)

**1 in 10 parents** said restrictions within the new Activity Test will mean their children will miss out on early education.

**Almost 1 in 5 parents** said they would have serious difficulties with fortnightly reporting of work activity.

**Over 50% of parents** are happy with the changes in yearly caps for both under and over \$185K families.

**Vast majority of parents (88%) rejected** the government's plan to fund the additional investment in childcare by cutting Paid Parental Leave & Family Tax Benefits.

## 2.2 PARENTS HAVE SOME SERIOUS CONCERNS WITH THE GOVERNMENT'S "JOBS FOR FAMILIES CHILD CARE PACKAGE"

The Parenthood congratulates the government on its plan to significantly increase investment in Australia's early childhood education and care system and are very pleased to see that thousands of families will see their childcare costs reduced. However, there are ongoing significant concerns that even with such an incredible extra investment so many families will in fact end up being worse off than they are currently.

### 2.3 THE NEW ACTIVITY TEST - PARENTS DO NOT SUPPORT THIS NEW STRICT APPROACH.

*Eligibility.*

This legislation imposes a significantly stricter eligibility requirement to access government subsidies to assist with the cost of early learning and care.

This is the first time parents will be faced with the reality that if they fail to meet the new activity test, they get no childcare subsidy. Even more concerning is the fact that their eligibility for subsidy can suddenly be cut altogether if they fail to meet the activity test due to unforeseen circumstances in any given fortnight. This is very concerning for many families juggling the general costs of the household budget with the costs of early learning and care.

## TheParentHood

Whilst 75 per cent of parents surveyed reported it was unlikely that they would be adversely affected by the new strict activity test, 62 per cent said they did not agree with the government's plan to place such a stringent workforce participation restriction on childcare subsidy eligibility. This reflects parent's views that the subsidy system should be flexible in meeting the needs of all families.

Whilst affordable childcare is a recognised necessity to enable parents to work, parents also recognise and value the fact childcare is early learning and should be accessible for all children – not just those children who have both parents in stable and predictable work.

When asked to choose the reasons they used childcare, the three most popular answers were: *Because I am in paid work/training/education (89.76%), Because it starts my child/children's early education (43.39%) and My child/children's need for company and activities (32.79%).*

Our survey results also revealed that at least one in ten families report they will not meet the new activity test and will therefore likely need to pull their children out of early learning.

*"I will receive nothing if this legislation is passed. I have not been 'working' since the budget cutting at university from the start of last year. We'll probably need to reduce the days my daughter goes to childcare, which is disappointing as she enjoys going there so much."*

- Mum of 3 from Victoria

*"At the moment we pay \$50 per day, per child with rebates. In all honesty it is something we can't afford, but need to as our son thrives on the structured environment childcare offers (he currently goes 2 days a week). A change in subsidies would see us pulling him out of daycare as the cost would just be too much for our family to bare, which means ultimately my son would suffer. I understand what the proposed changes are trying to achieve, but I don't support them and the implications it would have on our family, and so many that I am sure are in the same situation as us."*

- Mum of 2, Tweed Coast, NSW

*"Given that 80% of FIFO workers are male and 70% of all FIFO workers are couples that have couples with children living at home we believe that these changes to the childcare subsidy scheme may cause additional financial stress and relationship stress at this time of uncertainty in the mining industry. The unique and challenging stresses caused by working in the FIFO industry should be assisted by all government bodies."*

- Paul McKenzie, FIFO Families



### *Activity test flexibility*

This legislation attempts to more closely align government subsidised childcare hours with the hours parents need them for work related purposes. If both parents have stable, predictable jobs, this relatively rigid new activity test will not cause much concern for the parents or the early learning a child receives.

However, placing such a stringent workforce participation and income requirement on subsidy eligibility fails to recognise that the cost for the number childcare days you have remains a constant through the course of a year, whereas work activity and income can suddenly and significantly change.

It also fails to recognise that childcare isn't simply there to be used for when parents are working – it also delivers early learning, the benefits of which can't be fully realised in less than two full days of participation.

Based on the information released with the legislation, parents who suddenly lose their job or have a significant reduction in hours - become unwell and need to leave their job or who need to stop work to take care of a sick family member, will suddenly find themselves failing to meet the new activity test. These parents, immediately become ineligible for the subsidy they depend on to keep their children in early learning. Parents in these circumstances are then faced with the burden of an accrual of debt, paying full fees or removing their children out of early learning altogether and potentially losing their childcare place.

This is a concern for most parents, but especially true of families who have at least one parent in insecure, casual or irregular work.

*"From what I can tell of this confusing new criteria I will probably lose eligibility some weeks as I work irregular shifts due to the nature of my job. This will probably mean I will end up having to quit my job as it won't be worthwhile to work given the obscene cost of childcare in Melbourne CBD... I never thought I'd have so much trouble trying to go back to work and support my family. We will only be having one child because there is no way that we will be able to afford to have another with the current system which is pretty sad"*

- Mum of 1, Melbourne, VIC

### *Eligibility needs to be less rigid*

For parents, the changes to childcare subsidy as outlined in this legislation reflect complexity, confusion, and inflexibility. In fact, close to 24 per cent of parents surveyed



reported feeling confused and unsure of how much subsidy they would receive, if any under these new changes.

If this legislation passes without amendment thousands of families will see an increase in their out-of-pocket costs for childcare and be likely forced to remove their children from early learning and care as it becomes either too expensive to afford or simply not worth the cost.

The government's recently released modelling revealed that around 183,900 families — or 16 per cent of all families using childcare — would be worse off under these reforms, including 52,000 low income families<sup>6</sup>.

With an investment of over \$3 Billion The Parenthood believes no family, especially no low income family should end up paying more for the childcare they need as a result of these reforms.

## 2.4 RECOMMENDATIONS –

The Parenthood recommends that the legislation for childcare reform be amended to:

1. **ensure every child, irrespective of parents' work circumstances receive access to at least two days (24 hours) of subsidised childcare a week.** This maintains continuous access to early learning and care for all children, especially those from vulnerable or disadvantaged backgrounds. It also provides certainty for parents who even if they experience a sudden or significant change in their working or earning capacity, know they will always be able to count on access to two full days of subsidised childcare.

*We are aware that the sector is currently proposing a compromise of 15 hours of subsidised early learning and care per week. Whilst we argue 24 hours better reflects two full days of early learning, we would welcome 15 hours as better than what is currently proposed.*

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<sup>6</sup> Reported by News Limited, Saturday 30 January 2016 - <http://www.heraldsun.com.au/news/national/senator-simon-birmingham-writes-to-crossbenchers-calling-for-support-for-childcare-rebates-to-help-low-income-families/news-story/e7003be4b9523992a61bc67310325088>



2. ensure, that if two days (24 hours) a week of subsidised childcare cannot be guaranteed that:
  - a. transitional arrangements be in place to help minimise the cost burden for families if they suddenly fail to meet eligibility requirements to secure the **level of childcare subsidy they depend on**. Including, but not limited to, being able to estimate the expected hours worked over a 6 to 8week period; having a 6 to 8week grace period for sudden reduction in work or other circumstances that means one parent does not meet the activity test (e.g. redundancy or illness related)
  - b. the definition for what is considered eligible 'activity' be as broad as possible to capture the full variety of paid and unpaid work parents do in **and across our communities**. Including, but are not limited to, volunteering in schools and childcare centres as well as all forms of paid and unpaid leave.

## 2.5 EARLY EDUCATION AND CARE

As already stated above, The Parenthood firmly argues that childcare isn't someone simply looking after your child for the day so you can work or do other things, childcare is about early learning.

In fact, improving children's learning and development outcomes is arguably where government gets the best bang for buck on the billions it spends on childcare each year.

Price Waterhouse Coopers (PwC) in their *Putting a value on early childhood education and care in Australia*<sup>7</sup>, revealed that with an increase in the number of children participating in early learning and care, GDP would grow by \$10 billion by 2050 and by another \$13.3 billion if more children from disadvantaged backgrounds accessed early learning.

Most other countries across the developed world are investing large sums of money in Early Childhood Education and Care (ECEC) because of the long term social and economic benefits of quality early learning, not just for workforce participation.

Countries, like Britain, New Zealand, Canada, Norway and Germany are all making significant investment to ensure their children can access free or close to free early learning. They do this to increase the skills and education of their populations.

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<sup>7</sup> <https://pwc.docalytics.com/v/putting-value-on-ecec>

## TheParentHood

Not only does it make social sense to have a more educated society but it makes economic sense too – with government savings in welfare, health and justice expenditure far outweighing the cost of a quality ECEC system that is accessible (i.e. affordable) for all.

Some of Australia’s leading academics in the field of childhood education have also weighed in on the importance of quality early access.

**Professor Deborah Brennan, UNSW -**

*“Globally, early-childhood education and care are seen as critical not just in promoting workforce participation but in creating foundations for learning.”*

**Susan Krieg, Associate Professor, Flinders University -**

*“ECEC is both a public service and an educational endeavour. Availability, affordability and access to quality childcare are important for children, families, communities, the economy and civil society.”*

**Susan Irvine, Academic Coordinator, Bachelor of Education, QUT -**

*“The Perry Pre-School Study, focussing on children experiencing disadvantage, found that 14 hours of participation a week in early learning was a key factor leading to significant developmental gains.”*

However, under the proposed legislation Australian children will lose around half of the subsidised hours of early learning and care they receive now and many will in fact lose or be denied the opportunity to access early learning because their parents will simply not be able to afford it.

The safety net provisions within the legislation do guarantee subsidised hours of early learning and care for children from vulnerable and disadvantage backgrounds. Children from families earning less than \$65,000 won’t have to meet the activity test to continue to receive 24 hours of subsidised care a fortnight, or 12 hours a week. However, this is effectively half of the number of hours they can access currently, (48 hours of subsidised childcare currently) and effectively represents a drop from two days a week of early learning down to one day.

For disadvantaged children, studies have found that longer hours of quality Early Childhood Education and Care resulted in better educational outcomes.<sup>8</sup> Therefore, any move to cut the subsidised access to these children would be detrimental to their future. The evidence

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<sup>8</sup> <https://educationendowmentfoundation.org.uk/toolkit/early-years/extra-hours/>



shows that 15 hours of free childcare a week for children from the ages of two can have social and educational benefits that extend through to school.<sup>9</sup>

## 2.6 RECOMMENDATION:

The Parenthood recommends that the legislation for childcare reform be amended to:

3. ensure, that if two days (24 hours) a week of subsidised childcare cannot be guaranteed for ALL families:
  - a. That the safety net / low-income result provisions guarantee 24 hours (two full days) a week for a full financial year for children from disadvantaged and vulnerable backgrounds and families on incomes less than \$65,000.

## 2.7 COST OF GOING TO WORK

Whilst we're concerned with the seemingly narrow focus on workforce participation, we do acknowledge the government's recognition that if more parents, in particular mums, are to get back to work and work more they need access to affordable early learning and care.

The workforce participation of women with at least one dependent child aged under 15 in Australia is currently at 63.5 per cent. This is about 3 per cent below the OECD average and significantly less than in Sweden (83.1%), Denmark (81.9%) and Canada (74.2%).

According to a survey of OECD workforce participation data<sup>10</sup>, the absolute drop in employment rates of women associated with the presence of two or more dependent children in Australia is dramatic.

A key factor of women's participation in the paid workforce, especially when they have young children, is access to affordable early learning and care.

Accordingly, increasing workforce participation, for both men and women is undeniably a valuable feature of any affordable early learning and care system. This is why The Parenthood argues against labelling government helping families to pay for childcare as welfare support because it's not, it's a key productivity driver.

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<sup>9</sup> <http://www.theguardian.com/commentisfree/2015/sep/29/australia-should-follow-the-research-and-provide-free-universal-childcare>

<sup>10</sup> Australian House of Representatives Standing Committee on Family and Human Services Inquiry into Balancing Work and Family, 2005 Chp1

## TheParentHood

It is a recognition that if we want more people working now, importantly more women in the paid workforce now AND the skilled workforce for the future, we need our government to help pay for it for all families.

The strict new activity test demonstrates the government's intention to help change the behaviour of some parents in that if they want to continue to receive subsidies for the early learning they use they need to be working to get it – the more they work the more subsidised hours they can access.

A report released in February this year as prepared by PwC, commissioned by Goodstart Early Learning<sup>11</sup>, revealed that the new childcare subsidy will have a positive impact on workforce participation. It is expected that with a 24 per cent reduction in the out of pocket cost of childcare for all families, there will be an additional 29,000 additional Full Time Equivalents in the workforce in 2050.

However, as previously highlighted, the strict activity test may in fact be a barrier for parents, in particular mums who are trying to return to paid work, are in casual or irregular work.

The Parenthood also has concerns that the drop in subsidy at the higher income levels from 50 per cent down to 20 per cent will have an impact on workforce participation and this was not considered by PwC in their economic analysis.

This reduction in subsidy level in combination with the proposed cap on the amount the government will subsidise (approximately up to \$110 a day by 2017), will see the out-of-pocket costs for high income families, those with household incomes over \$250,000, increase significantly.

Whilst increase in cost of childcare is prohibitive for families on lower incomes, families with higher incomes see it as a disincentive to work. It becomes more cost effective for the women in these families, often the secondary income earner, to remain home instead of returning to work.

The reality is the cost of childcare remains the cost of mum going back to work. The decision as to whether or not she goes back to work is made based on how much of her wage will be consumed by childcare fees.

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<sup>11</sup> Economic impacts of the proposed Child Care Subsidy Final Report, February 2016, Commissioned by Goodstart Early Learning prepared by PwC

## TheParentHood

When the cost of childcare in inner Sydney, Melbourne and Brisbane rivals that of the most expensive private schools, what incentive is there for women, including well paid professional women, to go back to work before their children reach school?

Of the 1,475 parents surveyed approximately 33 per cent report, due to their household income level, that they will see a reduction in their subsidy level down from 50 per cent and many reported this would impact decisions around how much a parent, mum, would work.

Below is a snap shot of the over 600 responses we received to the question - *Will you be affected by the cut in subsidy percent (receiving less than 50 per cent)? If so, let us know what this change will mean for you and what you think about it.*

- *"It's not worth me working if the cost of childcare is so high. All the stress of getting to work on time, making lunches, getting out of the door etc for minimal pay after paying for childcare. Why bother? On the other hand if I don't work I lose connection to my workplace and lose my confidence and suffer the stress of being constantly housebound"*

- **Mum of 3 from New South Wales**

- *"Absolutely we have two kids in care five days a week and the cost is crippling us. It's not viable for me to receive my current promotion. Childcare fees take away any financial benefit I get.*

- **Mum of 2, Gold Coast, QLD**

- *"We will have to weigh up whether we will earn too much and therefore it won't be worth me going back to work and sending our son to childcare. I know my son will greatly benefit from childcare. My career would suffer if I was to stay out of work for too long. Earning too much money should not be discouraged or it will compromise the quality of the workforce"*

- **Mum of 1, Brisbane Southside, QLD**

- *"Yes due to means testing it means with two kids it won't be financially viable for me to work as childcare costs will outstrip my income due to my husband's income. People say this is fair if you are high income earners, but we live in Sydney and do not live extravagantly, the vast majority of our income is required to service our mortgage. Women should be encouraged back to the workforce not be facing disincentives"*

- **Mum of 2, North Sydney, NSW**

## TheParentHood

- *"The system is complicated. The government needs to provide more funding to centres. When it is not clear whether it is financially a good decision for a parent to return to work there is something fundamentally wrong with the system. These changes make returning to the workforce less an incentive than not working. After childcare costs are covered families report they only have an extra \$100 in their hand per week – that's ridiculous."*

**-Mum of 3, Bonner, ACT**

- *"This change will mean I can no longer work as my wage wouldn't cover day care costs if we didn't receive 50% subsidy. I love my work, my job and being able to contribute to society but if this is changed it would be very disappointing because I would have to give it all up. If the government are trying to get women back to work and stay in jobs, this isn't the way to go. I feel very disheartened by these proposed changes."*

**- Mum of 3, Ipswich, QLD**

- *"...My family will most certainly drop into the proposed 20% subsidy arena. From my perspective I progress my career, pay taxes, contribute to society (as does my husband) yet will seemingly be disadvantaged with my child in childcare not only from a subsidies point of view but with a significant promotion comes significant responsibility which will mean I will need to rely more heavily on childcare well surpassing the required hours yet will financially be stung the hardest. Seems the further you contribute to society the harder the government makes it to maintain that level of contribution in the workforce.."*

**- Mum of 1 from New South Wales**

- *"Yes, this would decrease for us down to 20% and is a disincentive for me to return to work. I want to be a working mum, when the time is right. There are so many benefits to the community and government of a productive female workforce (contributing to super seems to be a forgotten one) however, if I have such a large gap and wait until my kids start school my career opportunities will definitely be limited"*

**- Mum of 2 from Victoria**

### 2.8 RECOMMENDATION:

The Parenthood recommends that the legislation for childcare reform be amended to:

4. **keep a base subsidy level of 50 per cent in line with what was originally announced in the May 2015 Federal Budget.** This will help to keep the costs of childcare an incentive for women, of all professions and income levels to return and remain in work, furthering their careers and contribution to our community.



5. **ensure there is an effective restraint on increasing fees.** The legislation places a cap on the amount the government will subsidise not the amount centres can charge. Accordingly, there is concern parents, especially for those accessing early learning from high charging centres, will continue to see their out-of-pocket costs grow as the gap between what centres charge and what the government subsidises widens over time.

### 3.0 THE SOCIAL SERVICES LEGISLATION AMENDMENT (FAMILY PAYMENTS STRUCTURAL REFORM AND PARTICIPATION MEASURES) BILL 2016

#### THE PARENTHOOD REJECTS THE GOVERNMENT'S CUTS TO AUSTRALIA'S FAMILY PAYMENT SYSTEM

Whilst the current Bill is less severe than what was originally proposed in the 2014-15 federal budget, its affects will be extensively felt by thousands of parents and their children.

About 1.5 million families who receive FTB Part A and 1.3 million families who receive FTB Part B will be affected by the rapid phase out of the end of year supplements. Around 1.3 million families receive both FTB Part A and FTB Part B.<sup>12</sup>

These supplements equate to \$726.35 per child for Part A recipients and \$354.05 per child for Part B recipients. For families with one, two or more children this quickly adds up to be a significant loss in annual income and will be acutely felt by the half a million families who currently have incomes less than \$50,000.

*"My children will get less food to eat  
And probably less clothes  
And less shoes  
And no special outings"*

*- Mum, Sydney*

<sup>12</sup> Answers to estimates questions on notice social services portfolio 2015-16 supplementary estimates hearings,  
[http://www.aph.gov.au/Parliamentary\\_Business/Senate\\_Estimates/claccte/estimates/sup1516/SocialServices/index](http://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/claccte/estimates/sup1516/SocialServices/index)



*"In my household we barely make it pay to pay. As a single parent of a disabled child working is not an option. Removing ftb b from my budget would cause more hardship than we already face. And would cause homelessness as there is not anywhere else left to cut in my budget. With the cuts to pbs our medication bill has risen for my asd child with rheumatoid arthritis in both ankles who cant take tablets."*

*- Sole parent mum of one, Adelaide*

It is expected the proposed changes will diminish the incomes of 136,000 sole parents with children over the age of 13 when their rate of FTB part B is reduced and around 46,000 sole parent families with children aged 17 to 18 when they lose eligibility for FTB Part B<sup>13</sup>

*"I receive \$108.78 a fortnight part b family supplement. That is \$54.39 a week. To some people this is pocket change – they spend it so freely but for me it is the difference between my 12 year old son and I eating vegetables or eating only the specials we can find at the supermarket. These specials don't include meat."*

*- Sole parent mum of one, Brisbane*

### 3.1 FAMILIES ARE ALREADY STRUGGLING – DON'T MAKE MATTERS WORSE

*"I'm a single parent with a daughter who's 12 years old, things are beyond tough at this point and these cuts are going to make it impossible. I'm currently unable to work due to a serious back issue, which may require surgery to fix. My daughter misses out on so much now, because of the finances. I'm currently back living with my parents, because I have no hope paying \$300 a week in rent. My daughter has just started high school and already extra cost are coming in, I try my best to make sure she doesn't miss out, but a lot of times she's does and it's not fair, none of this is her fault and my health situation is out of my hands ! PLEASE don't allow these cuts, so many single parents will cop the brunt of this, and we are all struggling badly"*

*- Sole parent mum, Queensland*

In 2014 The Parenthood ran a national survey to explore the impact of the cuts to the Single Parenting Payment and found that of sole parents pushed onto Newstart, 88 per cent were struggling to cover the cost of groceries each week and 53 per cent were finding it difficult to meet basic travel costs for their family.<sup>14</sup>

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<sup>13</sup> Ipid

<sup>14</sup> See Appendix A for a copy of the The Parenthood Sole Parent Survey



A significant number of sole parents (73% of parents surveyed) reported a decline in their mental health, needing to skip meals (65%) and having incurred debt with family (61%), credit cards (51%) and with school (47%) just to make ends meet.

Their children have been suffering as a consequence – with a significant number of parents reporting their children have had increased experience of social and emotional distress (67%), a decline in nutrition (48%) and a decline in school performance (31%).

This is the experience now – what will happen if these families lose another \$3,000 in their yearly income, especially as their children get older and become more expensive to care for?

## **CONCLUDING REMARKS**

The Parenthood again thanks Senate Committee members for the opportunity to provide input and feedback to contribute to your review of the *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015* and the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016*.

We urge the Committee to listen to the parents of Australia, to those who will be directly affected by the proposed changes contained within these two Bills and recommend the government make some significant amendments before you consider supporting it.

Australian parents do broadly support the government's childcare reforms and congratulate the government on their continued focus to address the serious concerns of parents and families in relation to the cost and accessibility of early learning and care in Australia.

However, to make this good reform a great reform we urge Senate Committee members to remember the child in childcare. What should be the most important measure of success for our early learning and care system is how many children receive high quality early learning and care. If this is the focus, increase in workforce participation, including getting more women back to work and working more will naturally follow.

The Parenthood does not want to see vulnerable children lose half of their access to subsidised early learning.



We want to see families have greater certainty on how much financial help they will receive from the government, whether they work normal hours, casual or contract.

We want to see more children accessing high quality early learning, not less.

The government doesn't have strict eligibility requirements for families to access public school education, they heavily subsidise private school education, why should early childhood education be any different?

Finally, we urge Senate Committee Members not to support the major cuts to Family Tax Benefit payments. Families, in particular single parent families are already struggling to give their kids the best they can, they simply cannot afford to see the income support they depend on reduced any further.

This Bill, if passed in its current form will have devastating consequences for thousands of Australian families. The Parenthood urges you to reject this Bill and recommend to the government drop the remaining cuts to family payments, move on with funding childcare reform not do so by asking those who can least afford it pay for it.

Thank you for your time and consideration.

Kind regards,

**Jo Briskey**  
**Executive Director**  
**The Parenthood**



## THE PARENTHOOD'S CHILDCARE LEGISLATION SURVEY

The Federal Government has introduced new childcare legislation into Parliament. If passed it will mean changes for how parents access government subsidies to help pay for childcare and how much government subsidy parents will receive.

The new childcare legislation has been given to a Senate Committee to review giving us the chance to have our say on how it will affect our families.

The Parenthood has put together a short survey so you can have your say.

We will use the results of this survey as part of our written submission to the Senate Committee.

Please note your responses will be kept completely confidential and it should take you about 5 minutes to complete.

Next

## THE NEW ACTIVITY TEST

Currently, all families who use an approved childcare service receive some amount of subsidy to help meet the costs.

The new childcare legislation includes a stricter 'activity test,' where all parents in a family need to be engaged in a level of approved activity to be eligible for the government's childcare subsidy.

There will no longer be subsidies for children who have a parent available for care in households earning over \$65,000.

New criteria:

- A minimum, of 8 hours per fortnight of 'work' (inc. self employment, annual, long service, sick or other paid leave. On paid or unpaid parental leave, setting up a business, training or studying, job seekers, voluntary work)

If you don't meet the new eligibility requirements you will get nothing. However, there is a safety net for those who are:

- Disadvantaged
- Special needs
- Earn less than \$65 000

These families, won't have to meet the new "activity test" to receive 24 hours of subsidised child care per fortnight (down from 48 hours).

1. Do you support these restrictions to subsidy eligibility?

Strongly Agree

Agree

Neutral

Disagree

Strongly Disagree

☐☐☐☐☐

## 2. How do you think the new activity test and changes to subsidy eligibility will affect your family?

Tick what applies to you:

- ☐ It won't affect us - I (or my partner and I) will meet the new activity test requirements because we have regular work and only use childcare for the days we are both in work (and/or study; and/or other recognised activity)
- ☐ I am not actively looking for paid work, but my child needs and enjoys the experiences of early learning and care. However, our joint income means we no longer have access to any subsidised hours, so my children will miss out
- ☐ I will still be able to access 24 hours of subsidised care per fortnight despite not meeting the new activity test requirements.
- ☐ Other (please specify)

**Subsidies will be offered in three blocks:**

1. those who work 8-16 hrs a fortnight
2. those who work 17- 48 hrs
3. 48hrs plus.

**Parents will have to notify the hours and report changes on a specified schedule. If you work irregular hours this may affect your child's regular access to childcare.**

## 3. Are you likely to be affected by the number of hours of subsidised childcare being related to hours worked, plus presumed travel estimates? Tick the one below that is closest to your circumstances

- ☐ I have limited and irregular working hours but my child attends regular childcare, even on days I'm not called in to work. So with these new changes I probably won't get the same number of subsidised hours as I do now. If this is the case I may be forced to reduce the number of days my child is in early learning and care which will make taking extra shifts when and if they become available very hard, if not impossible.
- ☐ Because we use childcare more than we work I will need my employer to offer me more hours so I can meet the new requirements and still be subsidised for all the childcare we use.
- ☐ Because I (or my partner) have irregular hours of work, I'm not sure whether there will be weeks I'll have fully subsidised childcare and weeks where I won't be eligible.
- ☐ Not sure – the new eligibility test process seems confusing.
- ☐ I would have serious difficulties with the idea that I may have to report fortnightly or monthly on our family work patterns to remain eligible for subsidies.
- ☐ NA
- ☐ Other (please specify)

## CHANGE IN CHILDCARE SUBSIDIES

The new legislation will combine the Child Care Rebate and the Child Care Benefit into a single subsidy that will be means tested according to total household income.

The government will now only subsidise up to about \$110 a day. Parents will be responsible for meeting any gap in fees, however high they are.

4. Do you support combining the Child Care Rebate and the Child Care Benefit into one new single means tested government subsidy?

- ☐ Yes
- ☐ No
- ☐ Not Sure

5. Do you support removing the \$7,500 yearly cap for families on incomes less than \$185,000 and increasing the cap to \$10,000 for families earning above \$185,000?

- ☐ Yes
- ☐ No
- ☐ Not Sure

6. Do you support the government placing a cap on the amount they will subsidise or should they find some other way of containing costs, such as extra funding of limiting the fees charged by centres?

- ☐ Yes the government should place a cap on what they subsidise
- ☐ No, the government should subsidise fees at whatever level
- ☐ No, the government should restrict the fees that centres can charge
- ☐ Not sure

7. Will you be affected by the cut in subsidy percent (receiving less than 50 per cent)? If so, let us know what this change will mean for you and what you think about it.

## WHERE SHOULD THE ADDITIONAL \$3.2 BILLION COME FROM?

The Federal Government announced an extra \$3.2B for the childcare budget, with the savings to be made by cutting the family tax benefit payments and the current paid parental leave scheme.

8. Do you think the extra funding needed should come..

- ☐ from cuts to family tax benefit payment
- ☐ from general revenue
- ☐ from increased taxes on those who can afford to pay
- ☐ Other (please specify)



**12. Why do you use childcare - Select all that apply to you.**

- ☐ To give me some time
- ☐ My child/children's need for company and activities
- ☐ Because it starts my child/children's early education.
- ☐ Because my child has extra needs that require skilled care
- ☐ Because I am in paid work/training/education
- ☐ To have more time with my other children
- ☐ Other (please specify)

**13. Which of the following best describes your household?**

- ☐ Two parents, both in paid work
- ☐ One parent in paid work, one not
- ☐ Two parents neither in paid work
- ☐ Sole parent in paid work
- ☐ Sole parent not in paid work
- ☐ Other (please specify)

**14. If you are in paid work, how many hours do you work a fortnight?**

	You	second parent/guardian in household (if applicable)
Less than 8 hours	<input type="radio"/>	<input type="radio"/>
Between 8 - 17 hours	<input type="radio"/>	<input type="radio"/>
Between 18 - 48 hours	<input type="radio"/>	<input type="radio"/>
48+ hours	<input type="radio"/>	<input type="radio"/>
Self employed	<input type="radio"/>	<input type="radio"/>
Variable/casual	<input type="radio"/>	<input type="radio"/>
Not currently in paid work	<input type="radio"/>	<input type="radio"/>
Student	<input type="radio"/>	<input type="radio"/>

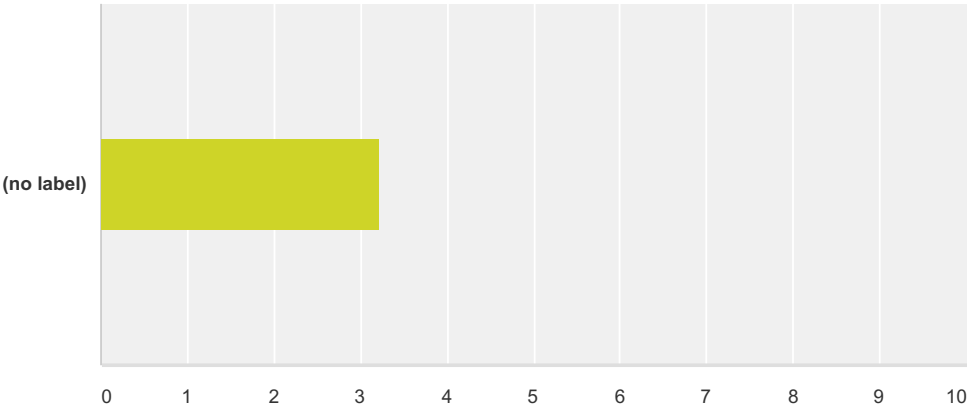
**15. What is your annual household income before tax?**

- ☐ Less than \$65K
- ☐ \$65K - \$120K
- ☐ \$120K - \$250K
- ☐ Rather not say

THE PARENTHOOD’S CHILDCARE LEGISLATION SURVEY

Q1 Do you support these restrictions to  
subsidy eligibility?

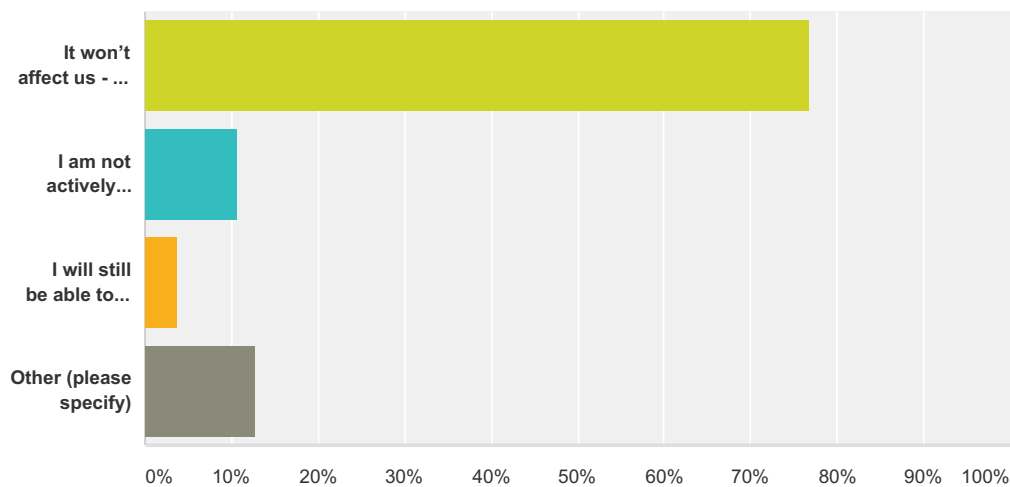
Answered: 1,405 Skipped: 23



	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total	Weighted Average
(no label)	11.17% 157	26.41% 371	16.16% 227	22.35% 314	23.91% 336	1,405	3.21

## Q2 How do you think the new activity test and changes to subsidy eligibility will affect your family? Tick what applies to you:

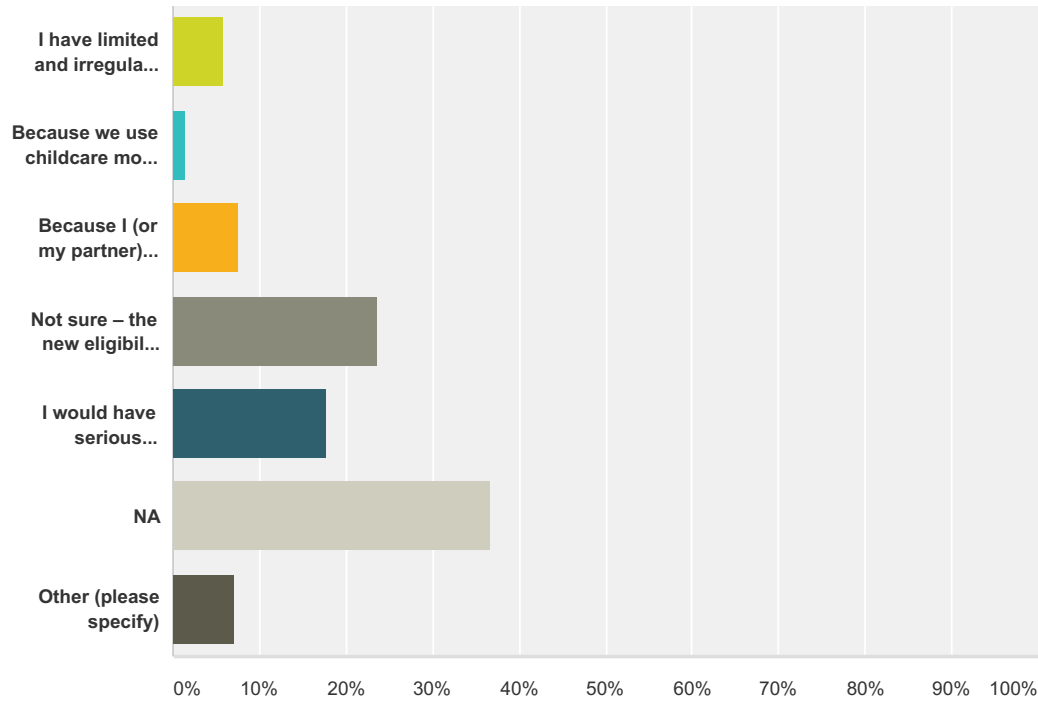
Answered: 1,393 Skipped: 35



Answer Choices	Responses
It won't affect us - I (or my partner and I) will meet the new activity test requirements because we have regular work and only use childcare for the days we are both in work (and/or study; and/or other recognised activity)	76.74% 1,069
I am not actively looking for paid work, but my child needs and enjoys the experiences of early learning and care. However, our joint income means we no longer have access to any subsidised hours, so my children will miss out	10.62% 148
I will still be able to access 24 hours of subsidised care per fortnight despite not meeting the new activity test requirements.	3.80% 53
Other (please specify)	12.71% 177
Total Respondents: 1,393	

### Q3 Are you likely to be affected by the number of hours of subsidised childcare being related to hours worked, plus presumed travel estimates? Tick the one below that is closest to your circumstances

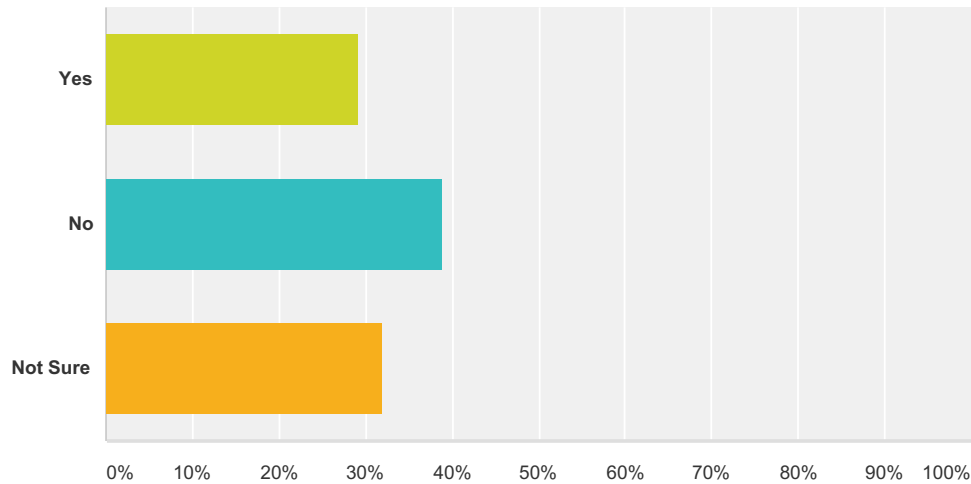
Answered: 1,396
 Skipped: 32



Answer Choices	Responses
I have limited and irregular working hours but my child attends regular childcare, even on days I'm not called in to work. So with these new changes I probably won't get the same number of subsidised hours as I do now. If this is the case I may be forced to reduce the number of days my child is in early learning and care which will make taking extra shifts when and if they become available very hard, if not impossible.	5.87% 82
Because we use childcare more than we work I will need my employer to offer me more hours so I can meet the new requirements and still be subsidised for all the childcare we use.	1.43% 20
Because I (or my partner) have irregular hours of work, I'm not sure whether there will be weeks I'll have fully subsidised childcare and weeks where I won't be eligible.	7.52% 105
Not sure – the new eligibility test process seems confusing.	23.57% 329
I would have serious difficulties with the idea that I may have to report fortnightly or monthly on our family work patterns to remain eligible for subsidies.	17.69% 247
NA	36.82% 514
Other (please specify)	7.09% 99
Total	1,396

**Q4 Do you support combining the Child  
Care Rebate and the Child Care Benefit into  
one new single means tested government  
subsidy?**

Answered: 1,348 Skipped: 80



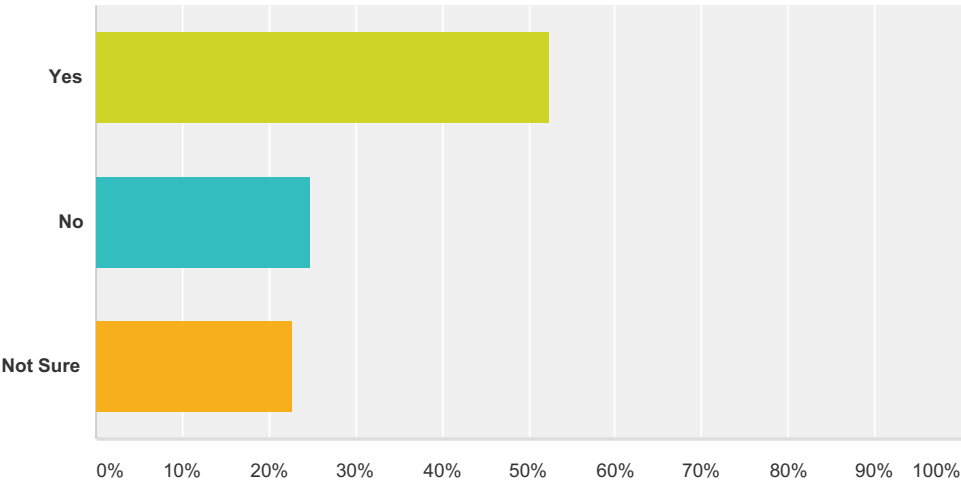
Answer Choices	Responses
Yes	29.23%394
No	38.80%523
Not Sure	31.97%431
Total	1,348

Q5

Do you support removing the \$7,500 yearly cap for families on incomes less than \$185,000 and increasing the cap to \$10,000 for families earning above \$185,000?

Answered: 1,349

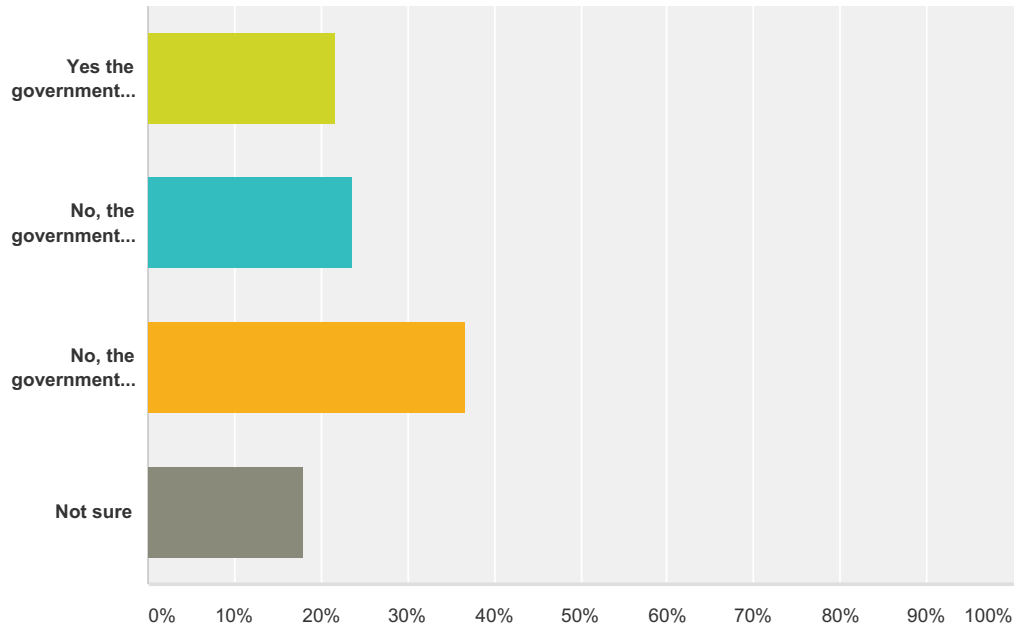
Skipped: 79



Answer Choices	Responses	
Yes	52.34%	706
No	24.83%	335
Not Sure	22.83%	308
Total		1,349

**Q6 Do you support the government placing a cap on the amount they will subsidise or should they find some other way of containing costs, such as extra funding of limiting the fees charged by centres?**

Answered: 1,353   Skipped: 75



Answer Choices	Responses	
Yes the government should place a cap on what they subsidise	21.80%	295
No, the government should subsidise fees at whatever level	23.58%	319
No, the government should restrict the fees that centres can charge	36.66%	496
Not sure	17.96%	243
Total		1,353

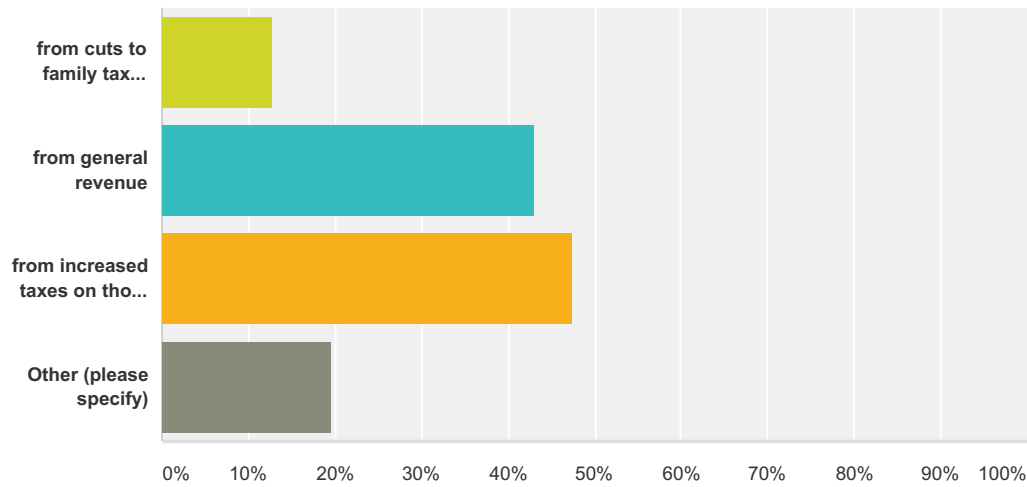
**Q7 Will you be affected by the cut in  
subsidy percent (receiving less than 50 per  
cent)? If so, let us know what this  
change will mean for you and what you  
think about it.**

Answered: 605   Skipped: 823

Written responses excluded

### Q8 Do you think the extra funding needed should come..

Answered: 1,323 Skipped: 105



Answer Choices	Responses	
from cuts to family tax benefit payment	12.77%	169
from general revenue	43.08%	570
from increased taxes on those who can afford to pay	47.32%	626
Other (please specify)	19.73%	261
Total Respondents: 1,323		

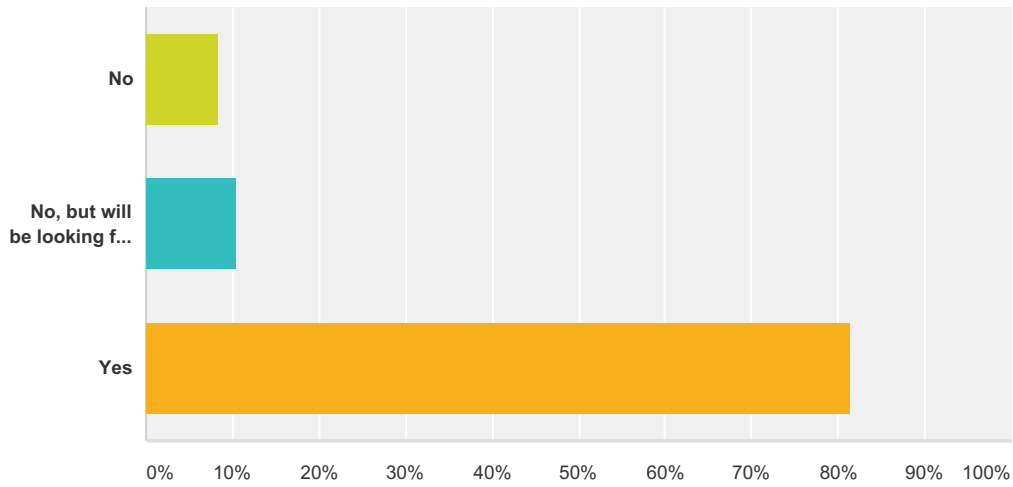
Q9 Your details

Answered: 737   Skipped: 691

Answer Choices	Responses	
Name	91.72%	676
Company	0.00%	0
Address	73.68%	543
Address 2	0.00%	0
City/Town	0.00%	0
State/Province	0.00%	0
ZIP/Postal Code	95.12%	701
Country	0.00%	0
Email Address	77.75%	573
Phone Number	0.00%	0

### Q10 Did you use childcare in 2015?

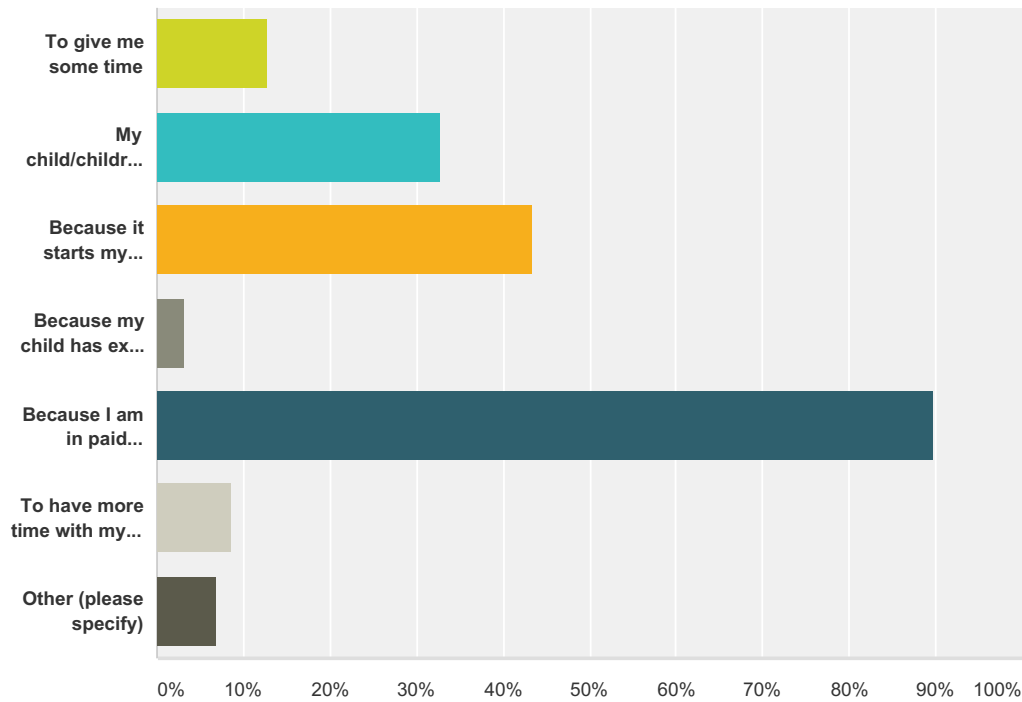
Answered: 1,099 Skipped: 329



Answer Choices	Responses	
No	8.28%	91
No, but will be looking for care services within the year	10.37%	114
Yes	81.35%	894
Total		1,099

# Q12 Why do you use childcare - Select all that apply to you.

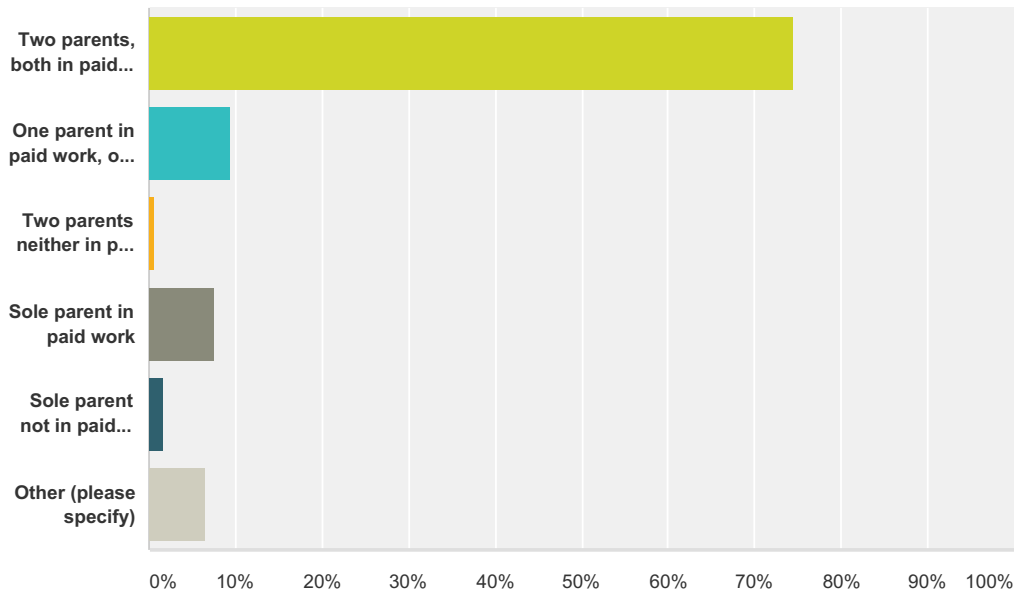
Answered: 1,104
 Skipped: 324



Answer Choices	Responses	
To give me some time	12.68%	140
My child/children's need for company and activites	32.79%	362
Because it starts my child/children's early education.	43.39%	479
Because my child has extra needs that require skilled care	3.08%	34
Because I am in paid work/training/education	89.76%	991
To have more time with my other children	8.61%	95
Other (please specify)	6.97%	77
Total Respondents: 1,104		

### Q13 Which of the following best describes your household?

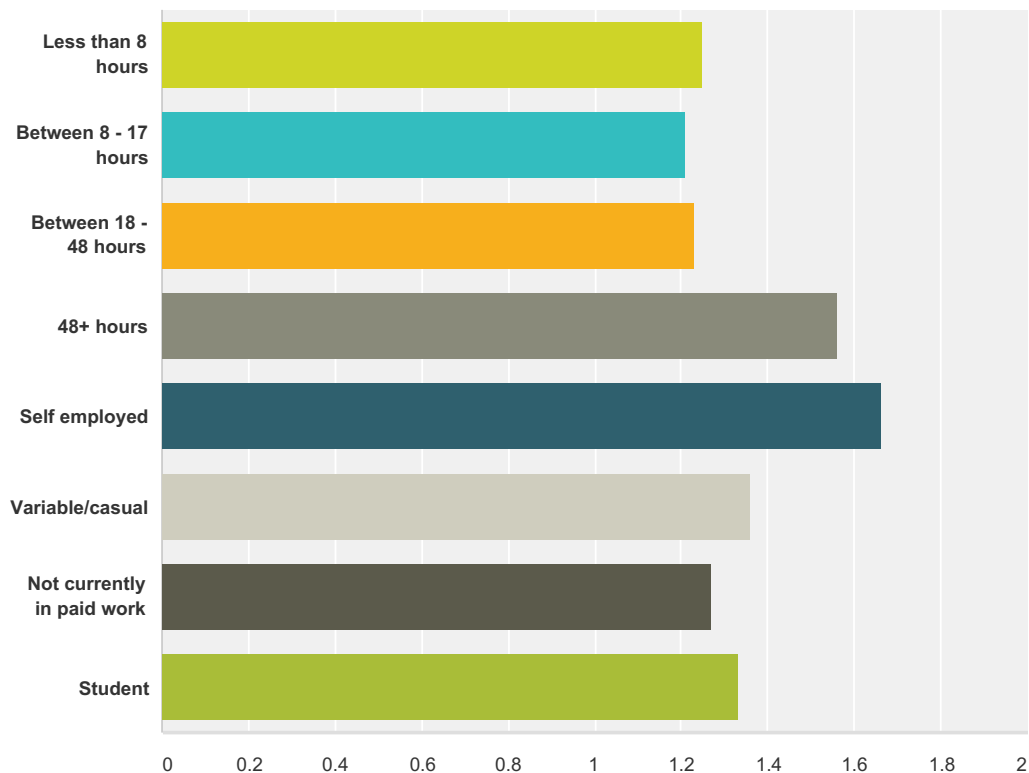
Answered: 1,129
 Skipped: 299



Answer Choices	Responses	
Two parents, both in paid work	74.49%	841
One parent in paid work, one not	9.39%	106
Two parents neither in paid work	0.62%	7
Sole parent in paid work	7.53%	85
Sole parent not in paid work	1.59%	18
Other (please specify)	6.38%	72
Total		1,129

### Q14 If you are in paid work, how many hours do you work a fortnight?

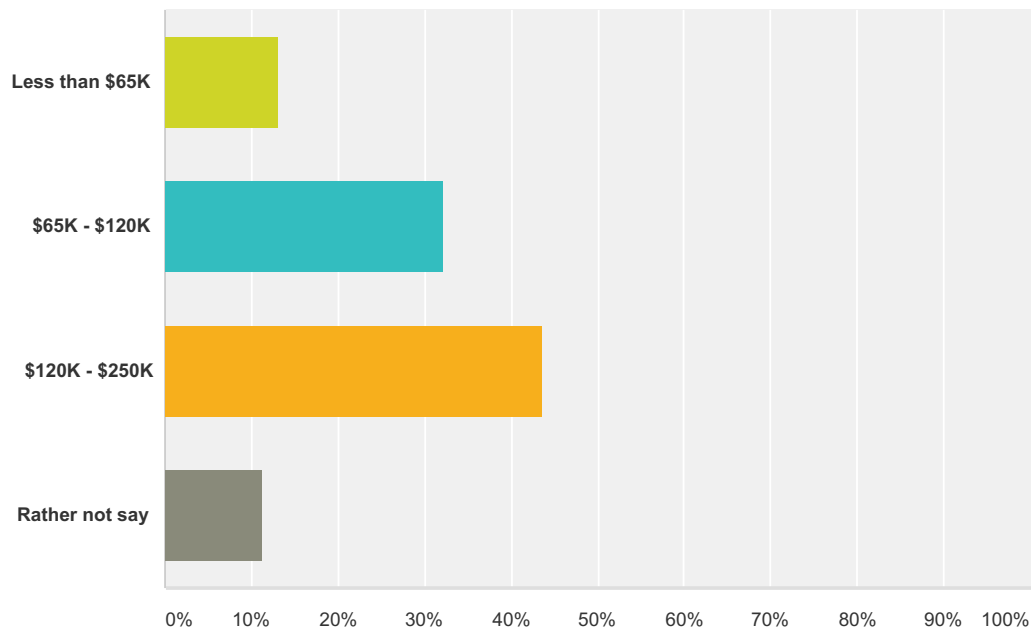
Answered: 1,091 Skipped: 337



	You	second parent/guardian in household (if applicable)	Total	Weighted Average
Less than 8 hours	75.00% 15	25.00% 5	20	1.25
Between 8 - 17 hours	79.07% 68	20.93% 18	86	1.21
Between 18 - 48 hours	76.97% 468	23.03% 140	608	1.23
48+ hours	43.70% 347	56.30% 447	794	1.56
Self employed	33.62% 39	66.38% 77	116	1.66
Variable/casual	64.00% 32	36.00% 18	50	1.36
Not currently in paid work	73.44% 47	26.56% 17	64	1.27
Student	67.14% 47	32.86% 23	70	1.33

## Q15 What is your annual household income before tax?

Answered: 1,128 Skipped: 300



Answer Choices	Responses	
Less than \$65K	13.12%	148
\$65K - \$120K	32.18%	363
\$120K - \$250K	43.53%	491
Rather not say	11.17%	126
Total		1,128