

The Senate

Community Affairs
Legislation Committee

Social Services Legislation Amendment
(Omnibus Savings and Child Care Reform)
Bill 2017 [Provisions]

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45th Parliament

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ABBREVIATIONS

ACCS	Additional Child Care Subsidy
ACOSS	Australian Council of Social Service
ACTU	Australian Council of Trade Unions
AHRC	Australian Human Rights Commission
BBF	Budget Based Funding
CCCF	Community Child Care Fund
CCS	Child Care Subsidy
EM	Explanatory Memorandum
Family Payments Bill 2015	Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No.2) 2015
Family Payments Bill 2016	Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016
FTB	Family Tax Benefit
FPPL Bill	Fairer Paid Parental Leave Bill 2016
GDP	Gross Domestic Product
Jobs for Families Bill 2015	Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015
Jobs for Families Bill 2016	Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016
NAMS	National Association of Mobile Services for Rural and Remote Families and Children
OECD	Organisation for Economic Co-operation and Development
Omnibus Bill	Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017
PPL	Paid Parental Leave

PPL Act	<i>Paid Parental Leave Act 2010</i>
SDA	Shop Distributive and Allied Employees' Association
SNAICC	Secretariat of National Aboriginal and Islander Child Care
SS Act	<i>Social Security Act 1991</i>
SS Admin Act	<i>Social Security (Administration) Act 1991</i>
WGEA	Workplace Gender Equality Agency

LIST OF RECOMMENDATIONS

Recommendation 1

2.107 The committee recommends that the Bill be passed.

Chapter 1

Introduction

Background

1.1 The Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017 (Omnibus Bill) seeks to reintroduce measures in the Jobs for Families Child Care Package, from the Education and Training portfolio, and a range of new and previously introduced social services measures to improve the fairness and sustainability of government payments from the Social Services portfolio.¹

1.2 The current measures and their previous iterations in various bills are outlined below.

Key provisions and purpose of the bill

1.3 The Omnibus Bill is comprised of 18 schedules and seeks to amend the *A New Tax System (Family Assistance) Act 1999*, *A New Tax System (Family Assistance) (Administration) Act 1999*, *Social Security Act 1991* (SS Act), *Social Security (Administration) Act 1991* (SS Admin Act), *Paid Parental Leave Act 2010* (PPL Act) and various other Acts.

Schedules 1-3 – Family Payments

1.4 Schedules 1 to 3 of the Omnibus Bill propose to:

- increase the fortnightly rates for Family Tax Benefit (FTB)² Part A by \$20.02 for each FTB child in the family aged up to 19 years. An equivalent rate of increase of around \$19.37 would apply to youth allowance and disability support pension recipients aged under 18 and living at home.
- remove entitlement to FTB Part B for single parents under 60 years of age, or grandparents or great-grandparents from the start of the calendar year their youngest child reaches age 17;
- phase out FTB Part A supplement by reducing it to \$692.25 per year from 1 July 2016, and to \$302.95 per year from 1 July 2017;
- phase out FTB Part B supplement by reducing it to \$302.95 per year from 1 July 2016, and to \$153.30 per year from 1 July 2017; and

1 The Hon Christian Porter MP, Minister for Social Services, [House of Representatives Hansard](#), 8 February 2017, p. 213.

2 Family Tax Benefit (FTB) is an income tested two part payment made to families to assist with the cost of raising children. Part A is a per child payment which is made to eligible families, while Part B payments provide added assistance to single parents and families with one main income. See Department of Social Services, '*Family Assistance Guide*', <http://guides.dss.gov.au/family-assistance-guide/1/2/1> (accessed 17 March 2017).

- remove FTB Part A and FTB Part B supplements completely from 1 July 2018.³

Previous consideration of the measures

1.5 The Community Affairs Legislation Committee (committee) notes that Schedules 1 to 3 reintroduce measures previously introduced in the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No.2) 2015 (Family Payments Bill 2015), and the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016 (Family Payments Bill 2016).

1.6 The Family Payments Bill 2015 was referred to the committee on 3 December 2015 for inquiry and report by 1 March 2016.⁴

1.7 Due to the prorogation of Parliament, the Family Payments Bill 2015 lapsed on 17 April 2016 and its provisions were reintroduced into the 45th Parliament by the Hon Christian Porter MP on 1 September 2016.⁵

1.8 The 2016 iteration of the Family Payments Bill included a minor change relating to the commencement date for Schedule 2, which was changed from 1 July 2016 to 1 July 2017.

1.9 The provisions of the Family Payments Bill 2016 were referred to the Senate Education and Employment Legislation Committee (Education and Employment committee) for inquiry and report by 10 October 2016.⁶

1.10 The Education and Employment committee conducted two public hearings in October 2016 and heard from various child care providers, childhood advocacy groups, the Mitchell Institute and the Department of Social Services and Department of Education and Training.⁷ The Education and Employment committee recommended that the Family Payments Bill 2016 be passed.⁸

3 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, [Explanatory Memorandum](#) (EM), pp. 10, 14, and 17.

4 *Journals of the Senate*, No. 134-3, 3 December 2015, p. 3623.

5 The Hon Christian Porter MP, Minister for Social Services, [House of Representatives Hansard](#), 1 September 2016, p. 275.

6 *Journals of the Senate*, No. 7, 15 September 2016, p. 211.

7 See: Senate Education and Employment Legislation Committee, [Family Assistance Legislation Amendment \(Jobs for Families Child Care Package\) Bill 2016 \[Provisions\]](#), [Social Services Legislation Amendment \(Family Payments Structural Reform and Participation Measures\) Bill 2016 \[Provisions\]](#), 10 October 2016, pp. 63-64.

8 Senate Education and Employment Legislation Committee, [Family Assistance Legislation Amendment \(Jobs for Families Child Care Package\) Bill 2016 \[Provisions\]](#), [Social Services Legislation Amendment \(Family Payments Structural Reform and Participation Measures\) Bill 2016 \[Provisions\]](#), 10 October 2016, p. 29.

Changes in the Omnibus Bill

1.11 The Omnibus Bill reintroduces most of the measures introduced in the 2015 and 2016 iterations of the Family Payments Bill, with the exception of some of the measures in schedule 2 to the bills to introduce a new rate structure for FTB Part B.

1.12 The FTB Part A rate will be increased by \$20.02 per fortnight, almost double the \$10.08 increase proposed in the Family Payments Bill 2015 and Family Payments Bill 2016.

Schedule 4 – Jobs for Families Child Care Package

1.13 This schedule proposes to:

- cease the Child Care Benefit and Child Care Rebate and replace them with a new Child Care Subsidy (CCS) which is subject to an income and activity test; and
- introduce a new Additional Child Care Subsidy (ACCS), available under certain circumstances and at various rates.⁹

Previous consideration of the measures

1.14 Schedule 4 reintroduces measures that were previously introduced in the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015 (Jobs for Families Bill 2015) and Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016 (Jobs for Families Bill 2016).

1.15 The provisions of the Jobs for Families Bill 2015 were referred to the Education and Employment committee for inquiry and report by 17 March 2016 with the committee subsequently receiving an extension to 4 April 2016.¹⁰ The Education and Employment committee recommended that the Jobs for Families Bill 2015 be passed.¹¹

1.16 The provisions of the Jobs for Families Bill 2016 were referred to the Education and Employment committee in conjunction with the Family Payments Bill 2016 for inquiry and report by 10 October 2016.¹² The Education and Employment committee recommended that both bills be passed.¹³

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

10 *Journals of the Senate*, No. 16, 3 December 2015, p. 3623.

11 Senate Education and Employment Legislation Committee, [Family Assistance Legislation Amendment \(Jobs for Families Child Care Package\) Bill 2015 \[Provisions\]](#), 4 April 2016, p. 24.

12 *Journals of the Senate*, No. 7, 3 December 2015, p. 211.

13 Senate Education and Employment Legislation Committee, [Family Assistance Legislation Amendment \(Jobs for Families Child Care Package\) Bill 2016 \[Provisions\]](#), [Social Services Legislation Amendment \(Family Payments Structural Reform and Participation Measures\) Bill 2016 \[Provisions\]](#), 10 October 2016, p. 29.

1.17 The committee notes that the provisions of Schedule 4 to the Omnibus Bill are identical to the provisions of the Jobs for Families Bill.

Schedules 17 and 18 – Paid Parental Leave

1.18 Schedules 17 and 18 propose to amend the PPL Act to provide that:

- paid parental leave (PPL) under the Paid Parental Leave Scheme will only be provided to parents who have no employer provided primary carer leave, or whose employer provided paid primary carer leave is for a period less than 20 weeks or is paid at a rate below the full-time national minimum wage; and
- remove the obligation for employers to act as paymaster and administer government-funded PPL payments to eligible employees, unless an employer chooses to manage the payment to employees and the employee agrees to the employer paying them.

Previous consideration of the measures

1.19 Schedules 17 and 18 reintroduce measures that were previously introduced in the Fairer Paid Parental Leave Bill 2016 (FPPL Bill). The FPPL Bill was referred to the committee for inquiry and report by 15 February 2017.¹⁴

1.20 The committee conducted a public hearing on 1 February 2017 and heard evidence from various academics, women and child advocacy groups and peak bodies and the Department of Social Services.

1.21 In its report the committee noted that:

The Explanatory Memorandum to the Omnibus Bill states that the Fairer Paid Parental Leave Bill 2016 will be withdrawn following the introduction of the revised PPL scheme arrangements contained in the Omnibus Bill.¹⁵

The committee proposes to consider the concerns raised and the evidence received in the committee's inquiry into the Fairer Paid Parental Leave Bill 2016 in conjunction with its consideration of the provisions of the Omnibus Bill.¹⁶

Changes in the Omnibus bill

1.22 The Omnibus Bill increases the period of government-funded PPL to 20 weeks as opposed to 18 weeks under the FPPL Bill. The Omnibus Bill also includes a minor change to the commencement date for these measures to provide that the amendments commence on the first 1 January, 1 April, 1 July or 1 October after the end of the period of 9 months on the day the Act receives Royal Assent.

1.23 Schedule 18 of the Omnibus Bill also includes a minor amendment to the title from 'Employer opt-in' to 'Removal of parental leave pay mandatory employer role'.

14 *Journals of the Senate*, No. 15, 10 November 2016, p. 448.

15 *Journals of the Senate*, No. 26, 9 February 2017, p. 881.

16 Senate Community Affairs Legislation Committee, [Fairer Paid Parental Leave Bill 2016 \[Provisions\]](#), 15 February 2017, p. 2.

Other provisions of the bill

Schedules 5 and 10 – Pensioner payments and supplements outside Australia

1.24 Schedule 5 proposes to reduce from 26 weeks to six weeks the period during which age pension and other payments with unlimited portability can be paid outside Australia at the means-tested rate. After six weeks the payment will be adjusted according to the length of the pensioner's Australian working life residence.¹⁷

1.25 Schedule 10 proposes to cease the payment of pension supplement after six weeks temporary absence overseas and immediately for permanent departures.¹⁸

Schedule 6 and 7– Education payments

1.26 Schedule 6 seeks to amend the SS Act and SS Admin Act to cease the pensioner education supplement which is currently available to certain income support recipients at the rate of \$62.40 per fortnight or \$31.20 per fortnight, depending on the person's study load.¹⁹

1.27 Schedule 7 seeks to amend the SS Act, SS Admin Act and *Veterans' Entitlements Act 1986* to cease the education entry payment which is currently available to eligible long-term income support recipients as an annual lump sum payment of \$208.²⁰

Schedule 8 – Indexation of certain payments

1.28 This schedule proposes to amend the current rules for indexation of income free areas to provide that indexation of the income free areas of all working age allowances and parenting payment single and other means test thresholds for student payments is maintained at level for a period of three years.²¹

Schedule 9 – Closing energy supplement to new welfare recipients

1.29 This schedule proposes to remove the energy supplement for new welfare recipients from 20 September 2017. Welfare recipients who are paid the energy supplement with their payment prior to 20 September 2016 will continue to receive the energy supplement from 20 September 2017, provided they continue to meet the legislative criteria.²²

17 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, EM, p. 100.

18 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, EM, p. 131.

19 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, EM, p. 102.

20 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, EM, p. 107.

21 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, EM, p. 111.

22 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, EM, p. 113.

Schedules 13, 14 and 15 – Waiting periods and entitlement for certain payments

1.30 Schedule 13 proposes amendments to the SS Act to extend and simplify the ordinary waiting period for working age payments.²³

1.31 Schedule 14 proposes to extend youth allowance (other) from 22 to 24 years of age, and remove entitlement to newstart allowance and sickness allowance for young unemployed people aged 22 to 24.²⁴

1.32 Schedule 15 proposes to introduce a four week waiting period for job seekers aged under 25 to receive income support payments. Job seekers aged under 25 years who have been classified as job ready will be required to complete certain pre-benefit assigned activities to help them prepare for work.²⁵

Consideration of the bill by other committees

Parliamentary Joint Committee on Human Rights

1.33 The Parliamentary Joint Committee on Human Rights (human rights committee) deferred its consideration of the Omnibus Bill on 16 February 2017.²⁶ The human rights committee did not release its consideration of the Omnibus Bill prior to the preparation of this report.

Senate Standing Committee for the Scrutiny of Bills

1.34 The Senate Standing Committee on the Scrutiny of Bills (scrutiny of bills committee) sought advice from the Minister in relation to:

- the retrospective commencement of Part 1 of Schedule 3 (Family Tax Benefit Part A) on 1 July 2016 and what effect this will have on individuals;
- new section 201A (Part 1 of Schedule 4) which proposes to use an offence-specific defence that reverses the evidential burden of proof;
- payment of the Energy Supplement (Schedule 9) to recipients between 20 September 2016 and 19 September 2017, whether the provisions are retrospective and the justification for this.²⁷

1.35 The scrutiny of bills committee noted its concern regarding the breadth and nature of the powers in section 199G, item 261 of Schedule 4 and new subsection 19DA(5) which allows delegation of legislative power. The scrutiny of bills

23 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, EM, p. 143.

24 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, EM, p. 150.

25 Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, EM, p. 157.

26 Parliamentary Joint Committee on Human Rights, [Human rights scrutiny report: Report 1 of 2017](#), 16 February 2017, p. 53.

27 Senate Standing Committee for the Scrutiny of Bills, [Scrutiny Digest No. 2 of 2017](#), 15 February 2017, pp. 28, 31, 35.

committee drew these concerns to the attention of Senators and the Senate Regulations and Ordinances Committee.²⁸

1.36 The scrutiny of bills committee also queried the appropriateness of providing strict liability offences with penalties above 60 penalty units which is inconsistent with the *Guide to Framing Commonwealth Offences*.²⁹

1.37 The scrutiny of bills committee received a response from the Minister on 2 March 2017. The scrutiny of bills committee did not release its consideration of the minister's response prior to the preparation of this report.

Conduct of the inquiry

1.38 On 9 February 2017, the Senate referred the provisions of the Omnibus Bill to the Community Affairs Legislation Committee for inquiry and report by 20 March 2017.³⁰ The committee sought an extension of the reporting date to 21 March 2017.³¹

1.39 Details of the inquiry, including a link to the Omnibus Bill and associated documents, were placed on the committee's website.³² The committee wrote to 215 organisations and individuals inviting submissions by 3 March 2017. Submissions continued to be accepted after that date.

1.40 The committee received 68 submissions to the inquiry and held a public hearing in Canberra on 9 March 2017. Submitters and witnesses are listed at Appendices 1 and 2.

1.41 The committee thanks those individuals and organisations that made submissions to the inquiry and gave evidence at its public hearing.

Note on references

1.42 References to the committee *Hansard* is to the proof *Hansard*. Page numbers may vary between the proof and the official *Hansard* transcript.

28 Senate Standing Committee for the Scrutiny of Bills, [Scrutiny Digest No. 2 of 2017](#), 15 February 2017, pp 29, 33, 36.

29 Senate Standing Committee for the Scrutiny of Bills, [Scrutiny Digest No. 2 of 2017](#), 15 February 2017, p. 31.

30 *Journals of the Senate*, No. 26, 9 February 2017, p. 881.

31 *Journals of the Senate*, No. 31, 20 March 2017, p. 1053.

32 See: Community Affairs Legislation Committee, http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/OmnibusSavingsReform (accessed 15 March 2017).

Chapter 2

Key issues

Introduction

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

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

Family tax benefit reform

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

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

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

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

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

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

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

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

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

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

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

Impact on low income families

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Combination of measures

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

2.17 The National Social Security Rights Network submitted that:

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

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

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

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

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

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

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

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

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

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

Linkage to Jobs for Families Child Care Package

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

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

Committee view

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

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

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

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

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

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

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

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

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

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

Jobs for Families Child Care Package

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

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

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

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

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

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

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

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

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

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

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

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

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

Hours of subsidised care

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Committee view

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

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

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

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

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

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

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

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

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

Paid Parental Leave

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

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

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

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

2.58 The following issues were highlighted by submitters and witnesses:

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

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

Number of weeks of PPL

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

2.60 The explanatory memorandum to the FPPL Bill explained that:

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

2.61 The Omnibus Bill proposes that:

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

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

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

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

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

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

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

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

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

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

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

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

Health impacts

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

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

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

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

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

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

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

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

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

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

Employer funded PPL schemes

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

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

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

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

Parental leave period

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial impact

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

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

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

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

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

Impact of proposed savings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Removal of the employer paymaster role

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Committee view

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

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

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

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

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

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

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

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

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

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

Concluding view

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

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

Recommendation 1

2.107 The committee recommends that the Bill be passed.

Senator Jonathon Duniam

Chair

Labor Senators' Dissenting Report

1.1 Labor Senators on this committee reject the recommendation contained in the majority report.

1.2 Consistent with the evidence presented to this Inquiry, Labor Senators reject the linking of harsh cuts impacting the most vulnerable Australians to funding for child care and the National Disability Insurance Scheme (NDIS).

1.3 With regards to the child care changes, evidence presented to this Inquiry has again reiterated concern about aspects of the changes.

1.4 Submissions to this Inquiry have reiterated evidence rejecting the cuts included in this Bill because of their impact on low and middle income families, in particular single parents, pensioners, jobseekers, young people, people with disability and carers.

1.5 The majority of the savings measures in this Bill have all previously been considered through Senate Committee inquiries into Bills, including:

- Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015;
- Social Services Legislation Amendment (Youth Employment and Other Measures) Bill 2015;
- Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 and the Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014;
- Social Services Legislation Amendment (Budget Repair) Bill 2015;
- Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015;
- Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016;
- Social Services Legislation Amendment (Budget Repair) Bill 2016.

1.6 Labor Senators' Dissenting Reports on each of these inquiries outline the conclusive and near unanimous evidence provided to the Committee rejecting the measures.

1.7 The child care changes in this Bill have also previously been considered in two Inquiries of the Senate Standing Committee on Education and Employment into earlier versions of the Bill:

- Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015;
- Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016.

The linking of funding for child care and the NDIS to harsh cuts

1.8 Evidence presented to this Inquiry was again unanimous in rejecting the linking of changes to child care assistance to harsh cuts to social security payments.

1.9 This Bill for the first time links the child care changes not only to family payments cuts, but to all of the Government's unlegislated 'zombie' measures, the majority of which were originally announced in the 2014 Budget, and have which been rejected by the Parliament.

1.10 The Government has also linked these cuts to funding the NDIS. Labor in Government made sure the NDIS was fully funded. The attempts by the Liberal / National Government to link cuts to vulnerable Australians to funding of the NDIS have been roundly rejected. This linking has also been unanimously rejected by evidence to this Inquiry and to this Committee's Inquiry into the *National Disability Insurance Scheme Savings Special Account Bill 2017* which would establish a special account for this purpose.

1.11 Dr Cassandra Goldie, CEO, Australian Council of Social Service (ACOSS) stated:

We oppose this omnibus savings and child-care reform bill, and we continue to urge both the committee and the parliament to reject it. We also want to express our strong opposition to the linking of the cuts associated with this omnibus bill to the purpose of finding greater investment in child care and the NDIS.

In the opinion of the Australian Council of Social Service, this bill inappropriately links savings which in our view target people on the lowest incomes in Australia as a measure in order to finance very important social policy measures, including the NDIS and of course universal services such as child care. The budget needs to be seen overall; it is a question of general revenue. We do not believe it is appropriate to be tying these measures together in this way.¹

1.12 Early childhood education organisations also reiterated their opposition to the linking of child care funding to these cuts:

We do not believe the bill should ever have been combined with savings in social services and welfare payments. The investment in early childhood education and care is not a welfare spend. It is an investment in education and workforce participation. We did not ever believe it was appropriate to combine those. We have also been very clear that we do not support the current proposals around family tax benefit cuts. It is important to note that we did support changes to family tax benefit that re-targeted payments to higher income families, where we did not believe that those payments were necessary or relied on by families, in order to improve investment in other areas. Previous cuts to family tax benefit have had the support of our organisation, but the current cuts proposed go too deep, impacting on

1 Evidence to the public hearing, Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017, 9 March 2017.

families below income levels of \$80,000 per annum. We do not support those. We are very concerned that even families that would be better off under increased childcare subsidies will still be worse off, at the end of the day, if affected by family tax benefit cuts as well. It is not just pragmatic; it is also that we do not support the cuts proposed in the savings bill. – Ms Sam Page, CEO, Early Childhood Australia²

1.13 Goodstart Early Learning expressed similar views in their evidence, and stressed that the Government’s proposed changes have already been paid for by other savings measures.

I think the government was initially surprised that the early childhood sector did not support savings that would pay for investment in child care. However, we have had some very lengthy discussions and explained our position. The cuts that have already been made to the family tax benefit could be used to underpin the increased investment in early childhood education and care. There are already enough cuts that have been made to do that. But the investment in early childhood education pays for itself anyway within three to four years, so we just do not believe it is necessary to predicate investment in early childhood education on savings cuts in other areas. ...With the compliance changes that were made, particularly in the family daycare sector, in September 2015, September 2016 and last month, we are now looking at upwards of \$1.8 billion of savings, over the forward estimates, minimum in compliance. We suspect it is actually significantly higher than that because of the changes that were made in MYEFO in December. Our package is a lot less than that. To put that into perspective, that means that—even when our package takes effect in 2018—the government will actually be spending less on child care in 2018 than it thought it would be. – Mr John Cherry, Advocacy Manager, Goodstart Early Learning.³

1.14 The Parenthood also shared the view that no further savings should be required to fund the child care changes:

...there have been a lot of changes within the child care and early education sector, that those changes have presented a great deal of savings and so this has already been paid for. Families have gone through cuts previously; the money is absolutely there. Tying it to these cuts is disingenuous. – Ms Nicole Lessio, Principal Campaign Manager, The Parenthood.⁴

1.15 Labor Senators agree with witnesses who stated there was no need for the Government to tie the proposed child care changes to the cuts in the Bill; particularly in light of the significant savings and write-downs recently realised in the early education portfolio.

1.16 Unions too rejected the linking of funding for changes to child care to the savings measures included in the Bill:

2 Evidence to the public hearing, 9 March 2017.

3 Evidence to the public hearing, 9 March 2017.

4 Evidence to the public hearing, 9 March 2017.

Our submission to this Inquiry reminds the Senate and the government that early childhood education care is too important to tie to other funding measures and savings measures. Any changes to the current system need to have at their very heart what is best for the children, the families and the early childhood education and care workforce. – Ms Helen Gibbons, Policy Analyst, United Voice.⁵

1.17 The Parenthood, representing parents and families also reiterated their opposition to linking cuts to family payments and to funding changes to child care.⁶

Family Payments

1.18 The cuts to Family Tax Benefit (FTB) introduced in their Bill are revised from those considered previously by this Committee. The key differences from previous packages are that the Government has abandoned the abolition of FTB Part B for single parents whose youngest child is aged 13-16; and that the increase to maximum rate of FTB Part A would be \$20 per fortnight, compared to \$10 in previous legislation.

1.19 In spite of these changes, these cuts to the incomes of low and middle income families were wholly rejected by evidence submitted to the Committee.

1.20 The Department of Social Services confirmed that the changes would leave 1.5 million families worse off, and that 587,458 of these families have income of less than \$52,000 per year. 2.2 million children will be impacted by cuts to FTB Part A alone.⁷

1.21 The worst hit by these cuts will be single parents whose youngest child is aged 17-19 and still in secondary school. They will lose \$3,186 in FTB Part B alone. DSS confirmed that around 38,200 single parent families will be in this situation.⁸

1.22 The committee heard powerful evidence on the impact of these cuts on low income families:

I heard recently from families who said they really depend on those supplements to pay for things, big-ticket items, like car registration. They might purchase new shoes for their children for school. - Ms Charmaine Crowe, Senior Policy and Advocacy Officer, ACOSS.⁹

We facilitated a nationwide online survey to really gain the impacts as the families would predict, should these cuts go through as proposed, and just

5 Evidence to the public hearing, 9 March 2017.

6 Evidence to the public hearing, 9 March 2017.

7 Ms Cath Halbert, Group Manager, Department of Social Services, evidence to the public hearing 9 March, 2017.

8 Ms Cath Halbert, Group Manager, Department of Social Services, evidence to the public hearing 9 March, 2017.

9 Evidence to the public hearing, 9 March 2017.

under 800 people completed it. ...81 per cent predicted that they would run out of food; 76 per cent predicted that they would pull their children out of activities; 81.9 per cent predicted that they would have trouble paying for their utilities and would probably incur late payment fines; a little over 80 per cent said that they would continue to struggle and would not be able to afford the school uniform; and 78 per cent—and we wrote to the AMA with this—said that they would miss medical appointments, that they would not fill prescriptions and that they would forgo health care; 72 per cent said that they would have trouble keeping a car on the road; and a high degree—72.6 per cent—said that they would have to rely on the goodwill of others' charity just to get by. – Ms Terese Edwards, CEO, National Council for Single Mothers and Their Children.¹⁰

1.23 Labor Senators recommend that the Senate oppose these cuts, because of the significant impacts on families, in particular single parents and those on low incomes.

Paid Parental Leave

1.24 The Bill also introduces revised changes to Paid Parental Leave (PPL), capping the total amount of leave that a primary carer can access at 20 weeks.

1.25 While this revised measure would allow mothers to access an additional two weeks of leave in comparison to the original measure, evidence presented to the Committee confirms that these changes would undermine the objectives of the PPL scheme, and leave 70,000 new mothers with less time to spend with their babies.

1.26 The Committee was presented with a range of evidence from employees and employers from a range of sectors including nursing, policing, retail and the service sector, demonstrating the benefits of the current scheme and the negative impacts that these changes would have on new mothers, in particular those on low incomes:

The proposed changes will definitely reduce income for women, many of whom are in low-paid positions. Although they may receive some paid parental leave from their employer, they will be disadvantaged considerably. – Professor Marian Baird.¹¹

It is commonly assumed that employees entitled to employer funded paid parental leave have access to generous arrangements and can readily afford to forego the government contribution, but this is untrue. Just under 80 per cent of recipients earn less than \$78,000 per annum and half of all recipients earn less than \$52,000. We believe it is unconscionable for the government, which has rejected any number of tax and economic reforms which would raise government revenue, to target cuts to vital support programs for women, families and children. – Ms Ged Kearney, President, Australian Council of Trade Unions.¹²

10 Evidence to the public hearing, 9 March 2017.

11 Evidence to the public hearing 1 February 2017.

12 Evidence to the public hearing, 1 February 2017.

1.27 DSS confirmed that 0.04 per cent of women who are in receipt of government paid parental leave earn between \$140,000 and \$150,000 and that the median income of mothers who would lose access to PPL as a result of these changes is \$69,000 per year. For those who will have a reduced amount of PPL the median income \$62,000.¹³

1.28 Compelling evidence was presented to the Committee by the Police Federation, demonstrating the importance of PPL for women working in dangerous and shift work, and the importance of this for them remaining in the profession after having children:

Female participation in the police service is extremely low compared to national figures for most other occupations. However, rates have increased since the introduction of paid parental leave and flexible working arrangements...we are advised that, on average, female police officers leave the force after only seven year's service while their male counterparts leave after approximately 14 year's service. Women are being penalised for having children. It is remarkable that in this day and age women are being put in a position to choose between a career or starting, or adding to, a family. – Mr Mark Burgess, CEO, Police Federation of Australia.¹⁴

1.29 Both unions and employee groups raised concern about employers withdrawing their own schemes if the changes were to pass the Parliament, because the changes effectively penalise employees for having access to employer provided leave.

1.30 The Australian Chamber of Commerce and Industry (ACCI) stated that:

When we saw the review of the act in 2014, we did see that relatively few employers withdrew or reduced their employer-funded parental leave provisions as a consequence of the introduction of the scheme. That is telling in a number of respects. Employers do provide these benefits of their own volition, and they do so for a variety of reasons—attraction-retention strategies; to be an employer of choice. They want to ensure that employees are getting maximum value out of parental-related benefits so, if this change is to proceed, the feedback from within our membership is that employers are likely to restructure benefits so that employees will continue to receive the 18-week funded payment valued at around \$12,000. And they will look at maintaining their level of funding and support for parental-related entitlements, but may not do so in the way that they are doing at the moment if it is having the effect of reducing or limiting access to government-funded entitlements. – Ms Alana Matheson, Deputy Direct, Workplace Relations, ACCI.¹⁵

1.31 The Australian Nurses and Midwives Federation (ANMF) stated that:

Employers are coming to us now and saying, “we’d all be better off if we just accepted the government scheme,” because the fact is that most of the

13 Ms Roslyn Baxter, Group Manager, DSS, evidence to the public hearing, 1 February 2017.

14 Evidence to the public hearing on 1 February 2017.

15 Evidence to the public hearing on 1 February 2017.

people who will be entitled to paid parental leave benefits are low-paid part-time workers. – Mr Nicholas Blake, Senior Industrial Officer.¹⁶

1.32 Witnesses including researchers, business leaders and unions have said that it is likely the Government would not realise the saving they expect from the cut given people will adjust their behaviour accordingly.

We can expect that employers will not pick up the cost, and, as their enterprise agreements terminate, they may reconsider whether they include the paid parental leave entitlement. What the government is doing is shifting the cost of that to the employer, and they could look at other ways of making themselves an employer of choice...Under the proposal the government would pay fewer weeks of parental leave. But if the employer removes their contribution then the government has to continue paying 18 weeks, so the saving would not be recouped. – Professor Marian Baird.¹⁷

The additional administration costs- due to there being more complexity of the payment- could be quite substantial. – Professor Guyonne Kalb, Melbourne Institute.¹⁸

Cuts to PPL aimed at reducing the cost to government may, therefore, increase costs to government elsewhere in the short and longer term. PPL should not be viewed as a cost to governments that much be curtailed; we think it should be viewed as an investment with big pay-offs for the nation's future productivity, health and wellbeing. – Dr Myra Hamilton, Work and Family Policy Roundtable.¹⁹

Reducing paid parental leave is unlikely to produce significant savings. If the majority of businesses withdraw their support for paid parental leave, the amount clawed back under the proposed amendments will be minimal and savings made over the forward estimates will be much lower than the government anticipates. The proposed cuts to paid parental leave are likely to generate increased unmet demand for childcare places and maternal and child health services. Ged Kearney, President, Australian Council of Trade Unions.²⁰

1.33 Business leaders also raised concerns that the cuts will make it harder to retain staff after they have children.

On the issue of what the impacts might be on [workforce] participation, we are concerned about this issue... at the moment it is not clear what the

16 Evidence to the public hearing 1 February 2017.

17 Professor Marian Baird, Private Capacity, Evidence to the public hearing 1 February 2017.

18 Professor Guyonne Kalb, Melbourne Institute, Evidence to the public hearing 1 February 2017.

19 Dr Myra Hamilton, Work and Family Policy Roundtable, Evidence to the public Hearing 1 February 2017.

20 Ged Kearney, President, ACTU, Evidence to the public hearing 1 February 2017.

impact would be. Stephen Smith, Head of National Workplace Relations Policy, Australian Industry Group, 1st February 2017.²¹

Cutting government funded PPL is completely inconsistent with Australia's commitment to reduce the gap between male and female participation rates by 25% by 2025. If we are to meet the agreed target for G20 nations and address the gender pay gap, we need to do more, not less. Ged Kearney, page 40.²²

1.34 The Human Rights Commission also rejected the changes:

The commission does not support the Bill in its current form. This is because of the likely negative impact of this bill on the equality and economic security of women. It is also because the evidence before the commission and in submissions to this committee suggest that the budget savings from the bill will be outweighed by the longer term economic costs. There is no economic modelling in existence to counter this evidence. To pass the bill in the absence of such research therefore presents an unacceptable risk to both gender equality and the broader Australian economy. Commissioner Kate Jenkins, Sex Discrimination Commissioner, Australian Human Rights Commission.²³

1.35 Based on this overwhelmingly negative response to the changes, Labor Senators recommend that the changes to PPL be opposed by the Senate.

Energy Supplement

1.36 Labor Senators are concerned about the proposed abolition of the Energy Supplement included in the Bill, which would mean a cut to payments for all new recipients of pensions and allowances.

1.37 DSS confirmed in Senate Estimates that this would see 1.7 million people lose the Energy Supplement by 2020. This would include around 403,000 age pensioners, 472,000 people on Newstart and around 200,000 Youth Allowance recipients.²⁴

1.38 This would be a cut of \$14.10 per fortnight to single pensioners or \$365 a year. Couple pensioners will be \$21.20 a fortnight worse off or around \$550 a year worse off.

1.39 Evidence presented to the Committee raised concern about the impact of this cut, particularly for people on Newstart for which there is already broad consensus that it is inadequate.

21 Stephen Smith, Head of National Workplace Relations Policy, Australian Industry Group, Evidence to the public hearing 1 February 2017.

22 Ged Kearney, Evidence to the public hearing 1 February 2017.

23 Commissioner Kate Jenkins, Sex Discrimination Commission, Australian Human Rights Commission, Evidence to the public hearing, 1 February 2017.

24 Cath Halbert, Group Manager, Payments Policy, Department of Social Services, Community Affairs Estimates 2 March 2017, Hansard.

\$4.40 a week really doesn't sound like much to you or I, but that could be a return bus trip to a job interview for instance, it could cover the cost of a semi regular haircut over the course of the year, which is probably pretty important for someone who is looking for work. Over the course of the year it could cover the cost of much needed dental treatment that the person is unable to receive in the public system, so it really does add up, especially over time. And I should add, if it was removed, it would remove the first real increase to the Newstart Allowance since 1994 when the payment was increased by \$2.95 per week above CPI. It really underscores the paucity of the payment, and it is at the moment absolutely inadequate to cover the cost of living, particularly where the person is renting privately, it is well below the poverty line, and it's falling further and further below the poverty line because it is only indexed to CPI. So I can't really stress enough how grave it would be to lose that payment. Charmaine Crowe, Senior Policy and Advocacy Officer, Australian Council of Social Service.²⁵

Other savings measures

1.40 The majority of other savings measures in this Bill have been examined by several Inquiries of this Committee, in which evidence has overwhelmingly rejected these harsh cuts because of their impacts on the most vulnerable Australians.

1.41 Evidence provided to this Inquiry has reiterated the damaging impacts of these measures for the most vulnerable in our community and confirms Labor's position that the Bill should be rejected.

1.42 To recommend passage of these measures would be to recommend the imposition of harsh and unfair cuts to low and middle income individuals and families.

1.43 This legislation makes it harder for migrant pensioners to continue to receive their pension while they are overseas. This is a cruel and unfair cut. There are many older Australians who left family or fled conflict on the other side of the world to build a better life in our country.

1.44 They have spent decades working hard, paying taxes, raising families and making Australia a better place. They deserve the pension, just like any other eligible older Australian.

1.45 This legislation will also remove important supports for pensioners and other low-income Australians who are seeking to improve their opportunity in life by getting an education, and meeting the associated costs.

1.46 This Bill would freeze for three years the indexation of income test thresholds for income support payments, meaning that the amount that recipients could earn before their payments are reduced would not keep pace with the costs of living.

25 Charmaine Crowe, Senior Policy and Advocacy Officer, ACOSS, Evidence to the public hearing March 9 2017.

1.47 These measures will have significant impacts on low-income households.

1.48 It is clear that these measures do not carry the support of the vast majority of the submissions made to this Inquiry.

1.49 The submitters' comments outlined in the majority report are unequivocal: these measures are fundamentally unfair. They should not be supported.

1.50 Labor Senators see no reason to repeat that evidence again. It is unfortunate that the majority members of the Committee have chosen to dismiss that evidence so comprehensively.

Early Education and Care

1.51 Labor supports additional investment in early education and care. However, Labor Senators remain concerned that long-identified flaws in the proposed child care package have not been addressed.

1.52 The Government has repeatedly ignored warnings by experts and the early childhood sector in relation to:

- The impact on access to early education for vulnerable and disadvantaged children;
- The need for certain and dedicated funding for Indigenous and mobile services; and
- The complexity of the activity test, which will make it more difficult for many families to maintain stable access to child care and participate in the workforce.

1.53 The issues raised during the two previous inquiries into the early education and care component of this Bill remain relevant, as do the dissenting reports issued by Labor Senators at the time.

1.54 Labor Senators note that witnesses overwhelmingly reaffirmed stakeholder concerns about the impact of the proposed changes on children's access to early learning, and the importance of access to two days early education per week, particularly for vulnerable and disadvantaged children.

1.55 Dr Cassandra Goldie from the Australian Council of Social Services stated:

Our concerns about the childcare bill are directly associated with what we believe and what the experts have also confirmed will be the effect of this, which is that we will move away from enabling access to early childhood education and care of a minimum of two days per week, which is considered to be the minimum that should be available to children...²⁶

1.56 Mr Bernie Nott from the Early Learning and Care Council of Australia told the committee:

26 Dr Cassandra Goldie, CEO, ACOSS, Evidence to the public hearing 9 March 2017.

The evidence is clear that children benefit from access to high-quality early learning, particularly from two days per week, as articulated in the evidence brief tabled with our submission... However, we fear that the childcare proposal currently before the Senate will cut access to early learning in half or, worse still, to zero for some families earning less than \$65,000 per year. Children from up to 100,000 low-income families could be worse off as a result. We therefore recommend that the package is modified to ensure all children have access to at least two days of early learning.²⁷

1.57 Ms Sam Page from Early Childhood Australia reiterated that 23 major early childhood stakeholders – including children's advocacy groups and providers – do not support the Bill in its current form. She explained that the stakeholders had agreed the Safety Net hours in the Bill would need to increase from 12 to at least 15 per week in order to support two sessions of care for vulnerable and disadvantaged children:

I want to clarify that the 15 hours came out of discussions with the government where we were saying: 'We cannot support the package as presented. We need it to be balanced more on child development. We need to get some of the children who are excluded from the system based on the proposed reforms back into the system. We need to be confident that we can deliver two days, particularly for disadvantaged children.'... The policy objective we are all aligned on is the two days a week entitlement.²⁸

1.58 Mr Paul Mondo, President of the Australian Childcare Alliance stated:

From our perspective, we have come to this minimum requirement of 15 hours as one of the ways of trying to ensure that that service provision is over the two days.²⁹

1.59 Labor Senators note the Department of Education and Training agreed with the evidence provided by other witnesses about the educational importance of children accessing two or more days early education a week. Labor Senators also note the Department's acknowledgement of the role of increased Safety Net hours in supporting at least two days early education a week. Currently the Bill provides only 12 hours per week for vulnerable and disadvantaged children under the Safety Net. Ms Jackie Wilson from the Department of Education and Training said:

The fact that it is 15 means that they will be required to be provided over two days, and it will be up to service providers to enable that to occur. As I think one of the speakers this morning, Ms Page, said, they will be working very actively with the sector to ensure that that is so. I should point out that the benefits of care are over multiple days. Whether that is two or three, it would be up to the sector to respond. There are some in the sector who would like to do three lots of five rather than two lots of 7½. As long as

27 Bernie Nott, Co-Chair, Early Learning and Care Council of Australia, Evidence to the public hearing 9 March 2017.

28 Evidence to the public hearing 9 March 2017.

29 Evidence to the public hearing 9 March 2017.

they are multiple sessions— that is where the educational benefit comes in.³⁰

1.60 Ms Page also expressed concerns about the impact the activity test would have on the children of parents who work casual hours:

If you are on contract work or you take short-term work or you are in a casual labour market, you are going to really struggle to meet that activity test all the time. So, where we have identified improvements to the package, it is to try to stabilise participation for those children.³¹

1.61 Ms Geraldine Atkinson from the Secretariat for National Aboriginal and Islander Child Care was frustrated that even in light of the findings of previous and current reviews, the Government still planned to 'mainstream' many Indigenous services:

I do not believe that he (the Minister) understands the difference that exists within Aboriginal and Torres Strait Islander communities. I do not believe that he understands that a service needs to be provided to cater to those needs. I am just not sure that he does get it.³²

1.62 Ms Anne Bowler from the National Association of Mobile Services agreed that the different operational environment and needs of families and children in rural and remote locations were still not being recognised by the Government:

We are saying, 'Yes, you are funding a childcare model, but you are mainstreaming geographic and cultural services that can't fit in the mainstream model.'³³

1.63 Both Ms Atkinson and Ms Bowler told the committee that Indigenous and mobile Budget Based Funded services continued to face deep uncertainty about funding arrangements. Without funding certainty they again confirmed that many services would face closure.

1.64 Last year, the Prime Minister gave a written assurance that alternative funding sources would be identified for Budget Based Funded services for which the core purpose is not child care. Labor Senators note with concern that to the knowledge of the peak groups representing Budget Based Funded services, no funding source has yet been identified in line with this commitment.

Recommendation 1

1.65 That the Senate reject the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017.

30 Evidence to the public hearing 9 March 2017.

31 Evidence to the public hearing, 9 March 2017.

32 Evidence to the public hearing, 9 March 2017.

33 Anne Bowler, Chairperson, National Association of Mobile Services for Rural and Remote Families and Children, Evidence to the public hearing 9 March 2017.

Recommendation 2

1.66 That the Government de-couples the child care changes from unfair and unrelated cuts.

Recommendation 3

1.67 The Government takes the cuts to pensioners, cuts to new mothers, families, young people, jobseekers, people with disability and carers contained in the Bill out of the Parliament and out of the Budget.

Recommendation 4

1.68 The Government fixes the proposed child care changes so vulnerable and disadvantaged children continue to have access to two days early education a week, and Indigenous and country services are protected.

Senator the Hon Lisa Singh

Senator Murray Watt

Australian Greens' Dissenting Report

1.1 The Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017 incorporates measures from the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measure) Bill 2016, Social Services Legislation Amendment (Budget Repair) Bill 2016, Social Services Legislation Amendment (Youth Employment) Bill 2016, measures from the 2016-2017 Mid-Year Economic and Fiscal Outlook as well as the Jobs for Families Child Care Package measures, Paid Parental Leave measures and one additional measure.

1.2 By recycling and continually reintroducing measures, some that have been rejected since the 2014 Budget, the Government is once again demonstrating that it still does not understand that attacks on our social safety net have been rejected as cruel and unfair.

1.3 Numerous submitters to the inquiry have expressed concern about the Government's repeated attempts to reintroduce these measures. These concerns are due to the impact these measures will have on low income and vulnerable people and have been repeated to a number of different inquiries when many of these measures were included in other Bills.

1.4 The Australian Greens are deeply concerned by the Government's repeated rejection of the expertise and evidence given by stakeholders in their continued pursuit of these harsh cuts.

1.5 In this regard the National Social Security Right Network (NSSRN) said in their submission:

[These measures] attracted widespread criticism in the community and were rejected because they were harsh and unfair, especially in light of the continued failure of this Government to make meaningful progress on taxation reform. The reintroduction of these proposals yet again suggests a Government deaf to the concerns of the community about fairness.¹

1.6 The measures in this Bill will hurt many struggling Australians. The Australian Greens will not support cuts to the social safety net to pay for childcare reforms and the NDIS. The Government needs to look at revenue raising strategies such as reforming negative gearing, closing tax loopholes and ending subsidies to mining companies and large corporations.

1.7 This Bill contains measures that the Australian Greens oppose including cuts to FTB-A and FTB-B, (FTB) supplements, imposing a four week period with no income on young unemployed people and cutting the energy supplement. We oppose these attacks on vulnerable people. These measures would reduce the incomes of millions of people who can least afford it.²

1 National Social Security Rights Network, *Submission 9*, p.1.

2 ACOSS, *Submission 13*, p.1.

1.8 The Australian Greens outlined our concerns regarding many of the measures contained in this Bill in our dissenting report to the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016*, the *Social Services Legislation Amendment (Youth Employment) Measures 2015* and the *Social Services Legislation Amendment (Budget Repair) Bill 2016*. The concerns outlined in these dissenting reports still stand.

1.9 The Government has previously stated that the purpose of many of the measures in this Bill is to make provision for the additional \$3 billion needed for the measures contained in the *Jobs for Families Child Care Package* as well as to fund the NDIS. The Government has since stated they will require \$1.65 billion to pay for the childcare measures through savings found predominantly through changes to the family day-care sector. The Australian Greens reject the linking of family payment cuts to increased investment in child care. Additional investment in early childhood education and care should not come at the expense of low income families.

1.10 The Australian Greens are concerned that measures in this Bill will have a significant impact on Aboriginal and Torres Strait Islander children by failing to providing adequate supports for children and the services that meet their unique needs.

1.11 The Australian Greens oppose the Paid Parental Leave measures in this bill which would prevent employees accessing the Commonwealth Paid Parental leave scheme to supplement any private parental leave agreement beyond a cumulative total of 20 weeks paid leave at the minimum national wage.

1.12 While the measure that denies young people income support has been watered down in response to the enormous community backlash, refusing access to income support based on age still represents one of the most significant changes to the Australian system of income support since it was first introduced in a consolidated Social Security Act in 1947.

1.13 All of the inquiries relating to the measures in this Bill received clear evidence of the negative impacts that the measures in this Bill would have. The recommendation in the Majority Report that the measures be passed simply cannot be justified by the evidence given to the committee. As a result, we can only conclude that the Majority Report conclusions are based on ideology rather than on evidence.

1.14 This dissenting report will examine each of the measures in turn.

Payment Rates of Family Tax Benefit Part A

1.15 While Schedule 1 increases FTB Part A by \$10 per week for each child up to 19 years old it does not offset the losses for all families receiving FTB under Schedule 3, leaving families worse off.

Family Tax Benefit Part B Rate

1.16 Schedule 2 abolishes FTB Part B for single parents under 60 years of age at the beginning of the calendar year their youngest child turns 17. While this is a

softening of the previous measure that reduced FTB Part B by almost two thirds for sole parents whose youngest child was 13 or over, this measure incurs the package's single largest cut to income for people affected. A sole parent (under 60) with one child turning 17 years would lose roughly \$3,400 per year (factoring in the loss of supplements and \$10 per week increase in FTB Part A).³

1.17 The National Social Security Rights Network said in their submission:

The NSSRN opposes these cuts. They are harsh and unfair and affect the poorest families in our community. Cuts of this kind need a very strong rationale, which the Government has not provided.⁴

Family Tax Benefit Supplement

1.18 Schedule 3 phases out the end of year supplements (\$726 per child per year for Part A and \$354 per family for Part B) over two years. Families will be at least \$210 per child per annum worse off. A dual income family with one primary school aged child would be \$210 a year or \$4 a week worse off. A single income family with a child in primary school would be \$560 a year worse off, or \$10 a week. This end of year supplement is crucial for low income families managing a tight budget.⁵

1.19 ACOSS outlined their deep concerns regarding the impacts of schedules 1-3 in this Bill in their submission to the inquiry:

ACOSS has long advocated for reform of the family payments system to address the high level of child poverty in Australia. Instead of addressing child poverty, we are deeply concerned that the proposed package would instead cause serious financial harm to many low income and vulnerable families. Since 2009, at least \$12 billion has been cut from the family payment system. These latest cuts would take another \$2.7 billion out of the system and would hurt those on the lowest incomes.⁶

1.20 Single parents and single income families with pre-school and primary school age children will lose more, as they also lose the FTB-B supplement, currently \$354 per year per family. Single parent families with older children in year 11 or year 12 (depending on the child's age) will lose even more, as they lose eligibility for FTB-B entirely from the end of the year their child turns 16. For the majority of families receiving FTB, who have household incomes under \$80,000, this is a loss of income support of at least \$200 per year per child, more if they are a single parent.⁷

3 ACOSS, *Submission 13*, p.2.

4 NSSRN, *Submission 9*, p.2.

5 ACOSS, *Submission 13*, p.1.

6 ACOSS, *Submission 13*, p.2.

7 NSSRN, *Submission 9*, p.3.

1.21 In their submission the National Council of Single Mothers and their Children noted:

Low income sole parents have repeatedly borne the brunt of successive cuts. Struggling sole parent families, mostly headed up by a mother, have no financial capacity to absorb any further reductions.⁸

1.22 The Australian Greens are deeply concerned about the risk to food security for low income and single parent families if their payments are cut. Dr Cassandra Goldie gave the following evidence to the inquiry:

Both anecdotally and from research we have available, including from excellent work from some of our members, food has become one of the most discretionary items for households on very low incomes—particularly adults trading off a meal and also their accelerated accessing of food parcels from those of our members who provide those kinds of services. That is hardly an acceptable situation in a country like ours.⁹

1.23 The Australian Greens do not support these changes to Family Tax Benefits. They are unnecessary and unfair and will have a significant impact on single parents and low income families. Let it be clear, these cuts to the Family Tax Benefit will affect the *most* vulnerable in our society, children. Single parent families have been unfairly targeted again and again and the Australian Greens cannot support measures that would hurt single parent families.

Jobs for Families Child Care Package

1.24 The Inquiry received a submission with signatories from 23 early education and care sector peak bodies. A number of concerns regarding these reforms were raised in that submission, including the delay in the implementation of these reforms, the unnecessary coupling of childcare reforms to significant cuts to social services and the potential for some children to be left without access to two full days of childcare each week.

1.25 The Australian Greens support the purported aim of the childcare reforms to 'improve access to the affordability of early childhood education and care'.

1.26 The Australian Greens remain concerned, however, that the childcare measures included in this Bill as currently drafted will not achieve these aims, and will in fact result in a number of families being unable to access childcare or receive reduced access to subsidised care.

1.27 The Australian Greens are concerned by the imposition of a minimum requirement of 8 hours of activity per fortnight in order to receive subsidised child care and note that a number of vulnerable families may not be able to meet this minimum requirement. The Greens are therefore concerned that a number of lower

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

9 Dr Cassandra Goldie, *Committee Hansard*, 9 March 2017, p .9.

socio-economic and middle-income families will be ineligible for adequate levels subsidised childcare under this scheme.

1.28 The Australian Greens also recognise concerns that the proposed activity test inadvertently creates barriers to work for families where at least one parent does not have secure, regular employment and believe amendments are required to ensure the system is fair for parents engaged in irregular work and does not leave them with inadequate child care subsidy to meet their work commitments, or higher childcare costs. Without amendment, this activity test will present a barrier for new mothers trying to re-enter the workforce through casual and irregular employment. Without a minimum amount of childcare guaranteed, many parents will find it near impossible to take on extra hours of work.

1.29 The Australian Greens also remain concerned that the Bill may have a detrimental impact on children from remote and rural parts of Australia, and in particular Aboriginal and Torres Strait Islander children. The Australian Greens refer to concerns raised by the Secretariat of National Aboriginal and Islander Child Care (SNAICC) in their submission and in their evidence provided at the public hearing into the *Jobs for Families Childcare Package* in 2016, in particular:

- The proposed closure of the Budget Based Funding Program;
- The risk posed to the loss or reduction to the Aboriginal and Torres Strait Islander sector; and
- The increased cost of service delivery to remote areas, in particular for Indigenous communities.

1.30 The Australian Greens are further concerned that the introduction of the activity test will reduce access to subsidised childcare for vulnerable children and is counter to the acknowledged need to increase participation in early childhood services for Aboriginal and Torres Strait Islander children.

Proportional payments of pensions outside Australia

1.31 Schedule 5 reduces from 26 weeks to six weeks the period during which age pensions, and a small number of other payments with unlimited portability, can be paid outside Australia at the basic means-tested rate. After six weeks, payments will be adjusted according to the length of the pensioners' Australian working life residence.

1.32 This measure is a tightening of an existing restriction, rather than addressing a gap in the system. The measure is poorly targeted, and does not recognise the range of circumstances in which pensioners may need to travel for more than 6 weeks outside Australia.

1.33 The National Social Security Rights Network said in its submission:

The rules concerning payment of income support overseas (known as portability) have been progressively tightened over a number of years, especially since 2004. We consider that the rules already place great weight on the principle of residence and this further tightening is unjustified

because it does not give enough weight to the importance of travel overseas, especially for the many older Australians who are migrants and have strong ties to family and communities overseas.¹⁰

1.34 The Australian Greens do not support this measure. It is unfair and will have a significant impact on Age Pension recipients as well as those accessing a disability support pension.

Pensioner education supplement and Education Entry Payment

1.35 Schedule 6 would cease a pensioner's education supplement and Schedule 7 would cease the education entry payment from 1 January or 1 July after the day the Act receives Royal Assent

1.36 These measures would remove study assistance available to people who rely on income support. There are 33,000 people currently receiving the Pensioner Education Supplement (PES), most of whom receive Parenting Payment Single, Disability Support Pension and Carer Payment. There are 83,000 recipients of the Education Entry Payment, which amounts to \$208 per year. These measures particularly disadvantage sole parents who are already facing payment cuts.¹¹

1.37 ACOSS outlined in their submission that:

Sole parents have also lost the Low Income Support Bonus and new recipients would lose the Family Tax Benefit Energy Supplement payment, which adds up at least \$350 per annum. This would make it more difficult to pursue education and training, which is essential to improving work prospects. Around 40% of PES recipients are sole parents and another 40% are Disability Support Pensioners. The remainder are carers and widows. Three quarters of recipients are women. Sole parents in particular may need to obtain further educational qualifications to re-enter employment after a period of full or part time care.¹²

1.38 The Australian Greens continue to oppose these measures. These supplements assist income support recipients to engage in education and training. This can improve their prospects of entering the labour market, as well as providing the other social and personal benefits of education. The social security system should provide additional support to engage in education and training for income support recipients who do not receive a student payment. These supplements and payments assist with a range of additional costs of study, including travel costs and course material and equipment costs that are not covered in programs like HECS-HELP, FEE HELP and VET FEE HELP.

1.39 These measures will make it harder for those already struggling on income support to access education; it contradicts the Government's claimed agenda of

10 NSSRN, *Submission 9*, p.3.

11 ACOSS, *Submission 13*, p.3.

12 ACOSS, *Submission 13*, p.3.

encouraging people to improve their skills and enter the workforce and weakens supports to those studying and relying on income support.

1.40 Once again single parents will be bearing the brunt of the Government's harsh cuts.

Freezing Indexation of Income Free Areas

1.41 The amount certain income support recipients can earn (before their payments are reduced) will cease to increase in line with inflation for three years.

1.42 Freezing indexation of income free areas would reduce the amount that people on income support can earn before their payments are reduced. This would reduce the overall income for people partly reliant on income support as well as those in paid employment. This would largely impact Newstart recipients and sole parents, most of whom are already living on inadequate incomes. It would have a flow on effect of preventing payment recipients from accessing state concessions that are based on receiving a full rate of payment, such as transport concessions.

1.43 ACOSS has warned of these measures pushing people further into poverty should they be introduced:

Income free areas should not be adjusted through ad-hoc freezing of indexation to achieve short term budget savings at the expense of reducing the incomes of people on low wages. People on allowances are already relying on inadequate levels of income support. Any measure which further reduces the adequacy of incomes for people partly reliant on allowances should be strongly opposed.¹³

1.44 The Australian Greens do not support this measure. It will reduce the amount of money people on income support can earn in real terms before their payments are reduced dropping people further into poverty and making it harder to enter the workforce.

Close the energy supplement to new welfare recipients

1.45 Schedule 9 ceases from 20 September 2017 the payment of the energy supplement to recipients who were not receiving a welfare payment on 19 September 2016 and closes the energy supplement to new welfare recipients from 20 September 2017.

1.46 This schedule reintroduces a measure which would close the energy supplement to new social security recipients. The Australian Greens are opposed to this measure as it would reduce income support payments to millions of people, most of who are already below the poverty line. This measure would affect 2.2 million people over the forward estimates, including Age Pensioners, Disability Support

13 ACOSS, *Submission 13*, p.4.

Pensioners, Carer Payment recipients, family payment recipients, Parenting Payment and recipients of Newstart and Youth Allowance.¹⁴

1.47 The NSSRN stated in their submission:

We are particularly disappointed that the Minister continues to state that this measure simply removes compensation no longer needed because of the repeal of the carbon tax. That this is incorrect (because normal indexation of the basic payment rates did not occur at the time the supplement was introduced) and has been pointed out numerous times in the media and by experts in this area.¹⁵

1.48 This measure cannot be supported by the Australian Greens. It would see the payment drop to a rate lower than it would have been if there had been no carbon price or compensation due to the adjustment to indexation when the Energy Supplement was introduced. It would put people living on already inadequate payments further into poverty.

Stopping the payment of pension supplement after six weeks overseas

1.49 This measure will stop the payment of pensions supplement after six weeks temporary absence overseas and immediately for permanent departures.

1.50 This measure would apply to the GST component of the Pension Supplement as the rest of the supplement is already no longer not payable after six weeks overseas. While in theory this measure should not disadvantage pensioners whilst overseas because they are not paying GST, in practice it reduces their income. This underscores the need for supplements to be rolled into the base rate. Many affected by this measure may be affected by the reduced portability (and reduced pension) in Schedule 5.¹⁶

1.51 The Australian Greens do not support this measure.

Automation of income stream review processes

1.52 This measure will allow for the automation of the regular income stream review process by enabling the Secretary to require income stream providers to transfer a data set to the Department of Human Services (DHS) on a regular basis.

1.53 The Australian Greens cannot support this measure. As we have seen with the recent Centrelink debacle and ensuing inquiry, there is a distinct lack of public confidence in DHS particularly in regards to automated systems. Considering the mistakes that have been made in the automation of Centrelink debt assessments, there is good reason to hold concerns about the implementation of such a program and the

14 ACOSS, *Submission 13*, p.4.

15 NSSRN, *Submission 9*, p.5.

16 ACOSS, *Submission 13*, p.5.

Department of Human Services' capacity to accurately implement and assess an income stream review process via an automated system.

1.54 While technology can be beneficial to both the Department of Human Services and those using the social security system, as we have recently seen, the Government has been unable to implement and maintain an accurate automated debt recovery program as well as a reliable online service and phone system. That they are proposing another automated review process before the current crisis has been resolved is deeply troubling.

1.55 In this regard Ms Charmaine Crowe, Senior Policy and Advocacy Officer from ACOSS told the inquiry:

Our concern remains around the accuracy of the automation of the process. As you have pointed out, we are not filled with confidence when it comes to the automation of income assessment, which we are seeing with the Centrelink debt recovery process.¹⁷

1.56 The Australian Greens would be deeply concerned to see this review process used retrospectively. Until the issues with the current automated data-matching system have been completely resolved, and recommendations of the inquiry implemented, the Australian Greens cannot support this measure due to the inordinate amount of risk involved.

Seasonal horticultural work income exemption

1.57 This measure would allow approximately 7,600 people receiving an unemployment payment each year access to an income bank of \$5,000 if they undertake seasonal horticultural work 120 kilometres away from their home.

1.58 The Australian Greens believe this style of policy initiative should be broadened to apply to all people receiving an unemployment payment. As suggested by ACOSS, the Government should consider an income bank of \$4,000 for Newstart and Youth Allowance (Other) payments that accrues over time to enable all receiving an unemployment payment to undertake casual or sporadic work without incurring a sharp or total loss of payment. An income bank would also reduce the likelihood of people receiving unemployment payments accruing a debt.

1.59 ACOSS noted in their submission:

This kind of measure must be carefully thought through because it sets a precedent of directing people who are unemployed into a specific industry. Such measures should also be considered in terms of how it would assist people to get secure, sustainable and meaningful work.¹⁸

1.60 We share the concerns of NSSRN who stated in their submission:

17 Ms Charmaine Crowe, *Committee Hansard*, 9 March 2017, p .5.

18 ACOSS, *Submission 13*, p.6.

Incentives like this have generally been unsuccessful in the past (the Job Commitment Bonus for example), because there are other far more significant factors affecting the take up of work. They are also a departure from very fundamental principles of payment according to need and can therefore lead to inequity.¹⁹

1.61 The Australian Greens believe that this measure has some merit and could be explored further for those on Newstart and Youth Allowance (Other) payments but have concerns that it is limited to one industry.

Ordinary waiting periods

1.62 This schedule makes amendments to extend and simplify the ordinary waiting period (OWP) for working age payments and will affect parenting payments and will make single parents wait longer to access payments.

1.63 Currently, most Newstart recipients must serve an ordinary waiting period of seven days before allowances are payable. This Schedule provides that the current exemption on the basis of severe financial hardship will only apply if the person is also experiencing a personal financial crisis.

1.64 Schedule 13 extends the OWP to Parenting Payment and Youth Allowance (other), which is paid to young job seekers under age 22 who are not full-time students or apprentices. It makes this waiting period consecutive on other waiting periods and also changes the circumstances in which it can be waived.

1.65 In addition to severe financial hardship, the claimant must also be experiencing a "personal financial crisis" which is defined to mean: being subjected to domestic violence, incurring unavoidable or reasonable expenditure or any other circumstance specified by the Secretary in a legislative instrument for this purpose.²⁰

1.66 The Australian Greens share the deep concerns of NSSRN in regards to this measure:

The intention of these amendments should be recognised. They are intended to ensure that most claimants serve a one week waiting period on top of any other waiting periods, and that it cannot be waived even if they are in severe financial hardship. This should be rejected. It is a fundamental departure from the principle of need, the basic principle of the Australian social security system. The existing rule for waiver of the OWP is sound and consistent with this basic principle and should be retained.²¹

1.67 The Australian Greens cannot support this measure. It will mean that parents with children to care for will have to go without income for a week which will unfairly impact on children. We are also deeply concerned that severe financial crisis

19 NSSRN, *Submission 9*, p.6.

20 NSSRN, *Submission 9*, p.7.

21 NSSRN, *Submission 9*, p.7.

alone does not result in an exemption from this waiting period, pushing people further into financial crisis.

Age requirements for various Commonwealth payments

1.68 This measure increases the eligibility age for some income support payments.

1.69 Young people aged 22-24 would no longer be eligible for Newstart allowance or sickness allowance until they turn 25. Instead they will be deferred to Youth Allowance if they can satisfy the activity test.

1.70 This is another cruel and unfair measure that will compound financial stress for young people for longer periods of time.

1.71 The NSSRN said in their submission:

The stated intention is to encourage young people to engage in study or training by aligning the rate of payment for job seekers aged 22 to 24 with the rate of payment for full-time students, who currently receive youth allowance until age 24 (or older, if a continuing student). Again this is policy based on a fiction. In our view, it is a fiction that the higher rate of Newstart allowance acts as a significant disincentive to people aged 22 to 24 taking up study. Young people who undertake study do so on the understanding that it is a period of reduced income for the purpose of the long-term benefits in terms of employment and income of further education and training.²²

1.72 This measure will not be supported by the Australian Greens.

Income support waiting periods

1.73 A key concern in this Bill is the re-introduction of a measure for a four-week waiting period for young people to access income support.

1.74 It is clear that people with little financial support who are unemployed will be unable to live if they are locked out of income support payments for any length of time. This measure has been almost universally criticized, as well as being rejected by the Senate in previous Bills. The Australian Greens join many of the organisations who submitted to this inquiry in their concerns.

1.75 The National Council of Single Mothers and their Children said:

The 'waiting period' is a cold-hearted cost saving measure that would witness Australia stepping away from its moral obligation. Essentially Australians, who are eligible, and in need of a payment will be forced to endure a period with no capacity for self-support. It is an unethical and flawed economic lever and we are steadfast in opposing this punitive measure. Hardship and poverty is an obstacle towards getting work ready,

22 NSSRN, *Submission 9*, p.8.

applying for jobs and gaining a foothold in the labour market, it does not serve anyone's interest when this obstacle is increased.²³

1.76 This measure is so inherently flawed it has emergency relief provisions for those required to "wait". This Bill includes a provision of funding for emergency relief of around \$8 million.²⁴ The Australian Greens will not pass a measure that unfairly impacts young people and in such a way that even Government acknowledges that it will result in a large number of young people having to access emergency relief.

1.77 NSSRN stated in their submission:

The NSSRN has long experience helping people who fall into hardship during the existing waiting and preclusion periods in social security law. Our experience is that surviving from one week to the next quickly becomes an all-consuming task for people with no income: asking landlords for more time to pay rent, exacerbation of mental health conditions due to severe stress and anxiety and so forth. These are the natural consequences of putting someone into severe financial hardship. They interfere with job search and are likely to lead to some people becoming vulnerable and being exempted from the four week waiting period part way through, an absurd outcome.²⁵

Other waiting period amendments (Rapid Activation of young job seekers)

1.78 This measure requires young people on the waiting period to undertake activities, if a young person fails to meet these requirements they could be denied income support and have to re-apply and begin the 4 week waiting period again.

1.79 Schedules 13-16 are of deep concern to the Australian Greens and will lead to many young people relying on emergency handouts. The Government continues to pedal the myth that there are many young people who are unemployed because they lack motivation to find work, despite the employment data to the contrary. The current rate of youth unemployment can be explained by inadequate demand for labour since the Global Financial Crisis.

1.80 The NSSRN expressed their concerns regarding these schedules in their submission:

They will impact hardest on young people from low income families who have the least financial capacity to help them. They will cause financial hardship, debt and stress to the young people who are unable to quickly find a job through no fault of their own and their families. The Department of Social Services estimates that one-third of young job seekers subject to this

23 National Council of Single Mothers and their Children, *Submission 16*, p.7.

24 Ms Charmaine Crowe, *Committee Hansard*, 9 March 2017, p .6.

25 NSSRN, *Submission 9*, p.8.

measure or about 25,000 young people will be forced to rely on emergency handouts to get through the new waiting period.²⁶

Adjustments for Primary Carer Pay and Employer Opt-In

1.81 These measure moves away from recommended minimum international standards and instead of strengthening support for working parents, these measures weaken the existing scheme which already sees Australia ranked third to last amongst OECD countries.

1.82 The Australian Greens maintain that Paid Parental Leave should be a minimum of 26 weeks as per the World Health Organisation's recommendation. The CPSU noted that the Coalition's Paid Parental Leave Policy in August 2013 argued that 26 weeks paid parental leave 'is the optimal outcome for new mothers'.²⁷

1.83 The Australian Human Rights Commission noted in its submission to the *Fairer Paid Parental Leave Bill 2016*, that it considers limiting PPL entitlements as a retrogressive measure. Expressing their concerns that the measures 'fall short of meeting Australia's human rights obligations, and could potentially have negative impacts on maternal and child health and development, the economic security of women and their families, and women's workforce participation'.²⁸

1.84 The government-provided Paid Parental Leave scheme was always intended to work alongside employer-provided programs, but now the government is attempting to cut support for working parents. The ACTU's submission noted the current scheme is highly successful and 'removing access to the minimum standard of 18 weeks paid leave is unfair and undermines a fundamental workplace right'.²⁹

1.85 While the Government persists in trying to cut funding from our social safety net, they are dishing out corporate tax cuts that will cost the budget \$4.8 bn a year. 72, 000 families will be affected by these measures.³⁰ These cuts will see nearly half a billion dollars ripped from the current scheme and make approximately 42% of families worse-off than they are now, hitting low-income families particularly hard.

Conclusion

1.86 Yet again, the Government is targeting vulnerable people while continuing to prop up corporations, the wealthy and those in the mining industry. This Bill targets young people, low income families, children, single parents, women, pensioners and those already living below the poverty line.

26 NSSRN, *Submission 9*, p.7.

27 Community and Public Sector Union, *Submission 36*, p.11.

28 Australian Human Rights Commission, *Submission 104*, p. 3.

29 Australian Council of Trade Unions, *Submission 11*, p. 7.

30 Australian Council of Trade Unions, *Submission 11*, p. 6.

1.87 This grab for "savings" by the Government will not only have a negative impact on people, it will affect the economy, costing the tax payer more in the long term because it will push people into poverty. It widely accepted that poverty has an overall long term negative impact on economic growth and productivity.

1.88 It is disturbing to see the Government rehash these harmful measures again and again, ignoring the evidence of a wide range of experts and stakeholders.

1.89 We can afford a strong social safety net; in fact we cannot afford not to have one. We must invest in a strong plan for revenue raising through reforming negative gearing, closing tax loopholes and stopping handouts to the wealthy.

1.90 The Government should not be targeting low income people to raise revenue for vital services like the NDIS and childcare. The Government's continued harsh approach towards income support recipients is unfair and unnecessary.

1.91 Despite their rhetoric about getting women into work, the Government is engaging in a piece of social engineering that will hit women hard. The best way to look after children and to support women getting back to work is by legislating 26 weeks of paid parental leave, not by taking an axe to the current minimum entitlement. The current Paid Parental Leave scheme was always intended to be a floor, not a ceiling.

1.92 The Australian Greens are concerned the issues raised by the vast majority of childcare experts regarding these reforms have not been addressed. There is a real risk that the impacts of a tougher activity test will further disadvantage families with irregular work hours and new mothers re-entering the workforce. Some of the most vulnerable children in our nation, particularly those from Aboriginal and Torres Strait Islander communities, will lose out if these measures are introduced un-amended. Furthermore we contend, as do the 23 peak bodies who submitted to this inquiry, that the childcare reform package should be considered on its own merit and has already been paid for, by legislated savings, at least twice since it was announced.

1.93 The Australian Greens share the concerns of submitters in regards to this Bill exacerbating the already high poverty rate in Australia:

It should be noted that in Australia right now we have just under three million people living below the poverty line and we have 731,000 children living in poverty. On our analysis through the poverty report, which has been done in conjunction with the University of New South Wales, a full 40 per cent of children in single-parent households are living below the poverty line. It would be an extraordinary outcome if the parliament was to support a budget measure which had the effect of reducing the incomes of single parents at this time in the face of that kind of overwhelming evidence of the very high levels of poverty in Australia for single parents and their children.³¹

1.94 The Australian Greens have always stood for vulnerable people and cannot support a Bill that would that would reduce paid parental leave, make young people

31 Dr Cassandra Goldie, *Committee Hansard*, 9 March 2017, p .2.

live with no income for long periods and cut vital supports to children, families, single parents and pensioners.

1.95 Given the extensive evidence presented to the inquiry on the real world impacts these cruel measure would have on young people, low income families, single parents, children, women and pensioners, the Australian Greens appeal to the crossbench and Labor to join us in blocking these harsh measures. They should be taken off the table, once and for all.

Recommendation 1

The Australian Greens recommend that the *Social Services Legislation Amendment (Omnibus and Child Care Reform) Bill 2017* NOT be passed.

Senator Rachel Siewert

APPENDIX 1

Submissions and additional information received by the Committee

Submissions

- 1** Mr Liam McNicholas
- 2** Name Withheld (plus two attachments)
- 3** Ms Alicia Croker
- 4** Name Withheld
- 5** Remote and Isolated Children's Exercise Inc
- 6** Australian Children's Education and Care Quality Authority
- 7** Department of Social Services, Department of Education and Training and
Department of Employment
- 8** National Foundation for Australian Women
- 9** National Social Security Rights Network
- 10** National Association of Mobile Services
- 11** Australian Council of Trade Unions
- 12** SNAICC - National Voice for our Children
- 13** ACOSS (plus an attachment)
- 14** Joint submission from 23 early childhood organisations
- 15** Grandparents Australia
- 16** National Council of Single Mothers and their Children
- 17** Council of Single Mothers and their Children Victoria

- 18 Create Foundation
- 19 Queensland Nurses' Union
- 20 Australian Family Association
- 21 Carers Australia
- 22 Australian Association of Social Workers
- 23 Australian Services Union (plus two attachments)
- 24 Name Withheld
- 25 Queensland Family and Child Commission
- 26 Australian Women Against Violence Alliance
- 27 Ms Isabel Sendlak
- 28 Ms Lisa Bryant
- 29 Community Child Care Association
- 30 Sole Parent Alliance
- 31 Queensland Law Society
- 32 Barnardos Australia
- 33 FamilyVoice Australia
- 34 Australian Childcare Alliance
- 35 Child Care on Wheels Service
- 36 YWCA Adelaide
- 37 Equality Rights Alliance
- 38 Finance Sector Union
- 39 Name Withheld

- 40 Australian Community Children's Services
- 41 Anglicare Australia (plus three attachments)
- 42 Diversity Council of Australia
- 43 A Progressive Christian Voice Australia
- 44 Children and Young People with Disability Australia
- 45 Refugee Council of Australia
- 46 Brotherhood of St Laurence
- 47 Shop Distributive and Allied Employees' Association
- 48 Disabled People's Organisations Australia
- 49 Victorian Women's Trust
- 50 Ms Leanne Gibbs
- 51 United Voice (plus two attachments)
- 52 Soroptimist International Fremantle
- 53 Northside Community Service
- 54 National Union Students
- 55 Federation of Ethnic Communities' Councils of Australia
- 56 Community and Public Sector Union
- 57 United Sole Parents of Australia
- 58 Marninwarntikura Women's Resource Centre
- 59 The Australia Institute
- 60 National Tertiary Education Union (plus an attachment)
- 61 Family Day Care Australia

- 62 Youth Affairs Council of South Australia
- 63 Mission Australia
- 64 Economic Security4Women
- 65 Youth Affairs Council of Western Australia (plus an attachment)
- 66 The Parenthood
- 67 Australian Nursing and Midwifery Federation
- 68 St Vincent de Paul Society National Council Australia

Answers to Questions on Notice

- 1 Answers to Questions taken on Notice during 9 March public hearing, received from National Council of Single Mothers and their Children, 14 March 2017
- 2 Answers to Questions taken on Notice during 9 March public hearing, received from National Foundation for Australian Women, 15 March 2017
- 3 Answers to Questions taken on Notice during 9 March public hearing, received from Australian Council of Social Service, 15 March 2017
- 4 Answers to Questions taken on Notice during 9 March public hearing, received from Department of Social Services, 15 March 2017
- 5 Answers to Questions taken on Notice during 9 March public hearing, received from Department of Education and Training, 16 March 2017
- 6 Answers to Questions taken on Notice during 9 March public hearing, received from Early Childhood Australia, 17 March 2017

Tabled Documents

- 1** Customer numbers affected by closure of energy supplement to new welfare recipients excluding FTB-B customers, tabled by Department of Social Services, at Canberra public hearing 9 March 2017
- 2** Cameos, tabled by Department of Social Services, at Canberra public hearing 9 March 2017

APPENDIX 2

Public hearings

Thursday, 9 March 2017

Parliament House, Canberra

Witnesses

National Social Security Rights Network

BUTT, Mr Matthew, Executive Officer

Australian Council of Social Service

CROWE, Ms Charmaine, Senior Policy and Advocacy Officer

GOLDIE, Dr Cassandra, Chief Executive Officer

Goodstart Early Learning

CHERRY, Mr John, Advocacy Manager

Early Learning and Care Council of Australia

NOTT, Mr Bernie, Co-chair

Australian Childcare Alliance

MONDO, Mr Paul, President

Early Childhood Australia

PAGE, Ms Samantha, Chief Executive Officer

Australian Council of Trade Unions

TKALCEVIC, Ms Belinda, Director, Social and Economic Policy

WATTS, Mr Christopher, Social and Economic Policy Advisor

GASKE, Ms Emeline, National Campaign Coordinator, Australian Services Union

BIDDLESTONE, Ms Katie, National Campaign Coordinator, Shop Distributive and Allied Employees' Association

CANNEN, Ms Emma, Research and Policy Analyst, United Voice

GIBBONS, Ms Helen, Research and Policy Analyst, United Voice

Secretariat of National Aboriginal and Islander Child Care

LEWIS, Dr Peter Colwyn, Acting Deputy Chief Executive Officer

ATKINSON, Ms Geraldine, Member

National Association of Mobile Services for Rural and Remote Families and Children

BOWLER, Mrs Anne, Chairperson

PATERSON, Ms Robyn Kay, Vice-Chairperson

National Council of Single Mothers and their Children

EDWARDS, Ms Terese, Chief Executive Officer

Combined Pensioners and Superannuants Association

VERSTEEGE, Mr Paul, Policy Coordinator

The Parenthood

LESSIO, Ms Nicole, Principal Campaign Manager

JOHNSTON, Ms Jane, Parent Member

National Foundation for Australian Women

COLEMAN, Ms Marie Yvonne, Chair, Social Policy Committee

DAVIES, Mrs Frances, Member, Social Policy Committee

Department of Social Services

HALBERT, Ms Cath, Group Manager, Payments Policy

McGUIRK, Ms Emma Kate, Branch Manager, Work and Study Payments

DAVIS, Ms Anita, Acting Branch Manager, International and Means Test Policy

HARDY, Mr Matthew, Branch Manager, Family Payment and Child Support Policy

DeBURGH, Mr Russell, Branch Manager, Pensions and Integrity

Department of Education and Training

WILSON, Ms Jackie, Deputy Secretary, Early Childhood and Child Care

MITCHELL, Ms Gillian, Group Manager, Early Childhood Strategy Group

WILLING, Mr Jeff, Branch Manager, Legislation Reform