

# **Labor Senators' Dissenting Report**

## **Jobs for Families Bill**

1.1 Labor supports additional investment in early education and care. However, Labor Senators remain concerned that despite proposed additional expenditure of approximately \$3 billion over the forward estimates, many families and children will be left worse off. Analysis undertaken by the ANU Centre for Social Research and Methods reveals that around one in three families will be worse off as a result of the Bill, and that almost half of all families will be worse off, or no better off.<sup>1</sup>

1.2 Labor Senators note that a very significant proportion of submissions raised concerns in relation to:

- the complexity of the activity test, the uncertainty families will face in getting and maintaining stable access to early education and care, and the discouraging impact this will likely have on some parents' workforce participation;
- the impact of the Bill on children's access to early education, particularly in relation to vulnerable children; and
- the negative impact the reforms will have on Budget Base Funded Indigenous and Mobile services.

1.3 The issues raised in the course of the previous inquiry into this Bill during the last Parliament remain relevant, as does the dissenting report issued by Labor Senators at that time.

1.4 Labor Senators are concerned that many questions raised during the previous hearing remain unanswered. This includes identifying the extent to which families who will be worse off will be impacted by the changes.

1.5 The process of the inquiry, including timing, has hampered the full analysis of the impacts of the Bill. It has also limited the analysis and consideration of options to improve the identified shortcomings of the Bill.

### **Impact of the Government's decision to delay investment in early education**

1.6 The Government's decision to delay additional support for families until mid-2018 will have a significant impact on families. Many submitters made the case for an interim increase in assistance – in line with the commitment Labor took to the last election.

1.7 The Parenthood's submission noted:

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1 ANU Centre for Social Research and Methods, [Distributional Modelling of Proposed Childcare Reforms in Australia](#), March 2016, p. 7.

...it's been 656 days now since families were first promised the Coalition Government would make childcare more affordable and accessible – we simply cannot wait any longer.<sup>2</sup>

1.8 Goodstart Early Learning also noted:

... we recommend that interim relief be provided to families from July 1 2017 by increasing the cap on Child Care Rebate and the rate of Child Care Benefit.<sup>3</sup>

1.9 Further, the Early Learning and Care Council stated:

...it is recommended that families receive additional affordability support from July 2017 by increasing the rate of the current Child Care Benefit and increase the annual Child Care Rebate cap.<sup>4</sup>

### **Impact of the activity test**

1.10 Overwhelming concerns about the impact of the activity test were again put forward to the committee. Key concerns include:

- Families facing an access cliff if their income rises above \$65,000 – potentially losing access to subsidised care entirely
- Halving in hours of access for disadvantaged children from 24 per week under the current system, to 12
- Tight fortnight-to-fortnight eligibility criteria that will make it difficult for parents who work part-time or casual hours to get back into the workforce

1.11 Ms Sam Page, Chief Executive Officer, Early Childhood Australia noted:

There are a lot of women, particularly, working in irregular patterns of work. If you... get your roster every fortnight, your hours can drop quite substantially at times... the way the legislation is proposed at the moment your eligibility will change immediately in the next fortnight... it is going to catch a lot of people when their hours are changing fortnight to fortnight.<sup>5</sup>

1.12 In line with other witnesses, Ms Page suggested longer transition or averaging periods to help parents maintain access to the early education and care they need to be able to work:

...allowing people a six-week grace period means that they can sustain that through variations in the roster, fortnight to fortnight.<sup>6</sup>

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2 The Parenthood, *Submission 24*, p. 4

3 Goodstart Early learning, *Submission 41*, p. 4.

4 Early Learning and Care Council, *Submission 45*.

5 Ms Sam Page, Chief Executive Officer, Early Childhood Australia, *Committee Hansard*, 3 October 2016, p.17.

6 Ms Sam Page, Chief Executive Officer, Early Childhood Australia, *Committee Hansard*, 3 October 2016, p.17.

1.13 Ms Giardina, Executive Director of the Community Child Care Association told the committee:

The proposed activity tests will take away universal access to subsidised education and care. Currently, all children can access two full days per week, up to 24 hours, regardless of whether their family meets an activity test. These changes will result in some children being excluded from early learning environments before school and children in vulnerable circumstances having their access halved. We believe that this will take Australia backwards in the early and middle childhood policy arena.<sup>7</sup>

1.14 Ms Giardina further pointed out that community services were likely to struggle to offer shorter days without increasing the hourly cost to families:

It has been suggested that with the proposed changes children can still attend for two days, with centres adjusting bookings for a six-hour session instead of whole days. This suggestion fails to recognise that services will still have to cover the same operational costs and will need to continue to charge a full-day rate or introduce a loaded sessional rate to remain viable. It also introduces additional layers of administrative complexity for services and the need to police actual hours of child attendance.<sup>8</sup>

1.15 Labor Senators have also identified concerns that not all centres would offer short days under the proposed 12 hour Safety Net entitlement, potentially leaving disadvantaged children without access to early education. This is a particular risk in areas where centres are able to fill all their available places with children whose parents are paying for 10-12 hour days. Short sessions also have the potential to act as a barrier to workforce participation if they are inflexible and a parent cannot be guaranteed immediate access to an all-day place if they secure work.

1.16 A number of solutions were put forward to the committee to address the problems that have been consistently identified with the activity test. These include:

- increasing the family income required for access to early education without meeting the activity test from \$65 000 to \$100 000;<sup>9</sup>
- increasing the hours a child can access early education under the proposed Safety Net to 15 hours;<sup>10</sup>
- maintaining current levels of access of 24 hours per week subsidised early education for all children;<sup>11</sup>

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7 Ms Leanne Giardina, Executive Director of the Community Child Care Association, *Committee Hansard*, 3 October 2016, p. 24.

8 Ms Leanne Giardina, Executive Director of the Community Child Care Association, *Committee Hansard*, 3 October 2016, p. 24.

9 Mr Bernie Nott, Co-Chair, Early Learning and Care Council of Australia, *Committee Hansard*, p. 10.

10 Mr Bernie Nott, Co-Chair, Early Learning and Care Council of Australia, *Committee Hansard*, p. 10.

- tapering support for families who do not meet the activity test when their income exceeds \$65 000, so they don't abruptly lose access to early education;<sup>12</sup> and
- averaging and transition provisions for parents working part time or casual hours – as noted above.

1.17 Labor Senators remain concerned that – despite the implementation delay – the Government has not sought to address any of the concerns that have been raised by early childhood experts, parents and the sector in relation to the proposed activity test.

### **Limited information about the implementation of the proposed changes**

1.18 The Committee heard evidence that 70 determinations and rules – crucial to the operation of the proposed changes – have not yet been made public for consideration.<sup>13</sup> These determinations and rules will govern central elements of the system including: hardship provisions, eligibility for the Child Care Subsidy, access to services for children at risk, recognised activities and transition rules.<sup>14</sup>

1.19 In addition, clear information about the operation of the Community Child Care Fund has not been published, creating significant uncertainty for many services and the children and families that rely on them.

1.20 Labor Senators are concerned that despite major proposed changes to the activity test and service operating hours, no provision has been made to pilot and evaluate changes before they are applied nationally. There will be no opportunity to assess the impacts of proposed changes on viability, workforce participation or children's learning.

1.21 Labor Senators are very concerned that the Parliament is being asked to consider a Bill – for the second time – without access to key information to determine how it will impact Australian families.

### **Impact on Budget Based Funded Indigenous and Mobile services**

1.22 The committee heard extensive evidence about the impact of the proposed changes on Budget Based Funded Indigenous and Mobile services. The Government has been repeatedly informed that many Budget Based Funded services will not be viable under a mainstream model, and that without them, many communities will lose access to early education.

1.23 Ms Bowler, President of the National Association of Mobile Services for Rural and Remote Families and Children, told the committee:

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11 Ms Erin Gillen, Acting Director, Federation of Ethnic Communities Councils of Australia, *Committee Hansard*, 3 October 2016, p. 37.

12 Ms Helen Gibbons, Assistant National Secretary, United Voice, *Committee Hansard*, p. 33.

13 Ms Jackie Wilson, Deputy Secretary, Department of Education and Training, *Committee Hansard*, p. 22.

14 Department of Education and Training, Answer to Question on Notice 1.

We estimate that under the Budget Based Funded Program, with the cessation of this funding model in June 2018, 90 per cent of mobile services that are currently funded will not be able to continue to operate.<sup>15</sup>

1.24 Ms Bowler also informed the Committee:

In terms of geographic isolation and geographic situations for families in Australia, there are many, many, many rural communities in rural and remote areas in Australia that do not receive mainstream-type services, because of viability. We see that the closing of the Budget Based Funded model will ensure that mobile services that currently operate will no longer be able to operate.<sup>16</sup>

1.25 Ms Atkinson, Deputy Chairperson, SNAICC, told the committee:

Bubup Wilam have given us proof that our services will not survive; they said they will close their doors at the end of the year. What is going to happen to our services? In 2018 they will have to close their doors. We will have to close our doors in June 2018. Nothing that has been said about what is happening with transitioning over to the Jobs and Families package makes it any clearer that we are going to be any better off—and I am talking about our budget based funded programs, our MACCS, as well as the other childcare... From the very beginning there has been uncertainty because of all the complexity of our services. With the change, we knew we were not going to get a system that would be able to sustain our models.<sup>17</sup>

1.26 Labor Senators are concerned about the rationale for the transition of Budget Based Funded services to a mainstream model, given they typically operate in areas that would be, by definition, unviable under a fee and subsidy model.

1.27 The closure or reduction in access to Budget Based Funded services will overwhelmingly impact vulnerable children and communities, despite children in these communities having the most to gain from early education.

### **Social Services Bill**

1.28 Labor Senators reject the recommendation contained in the majority report that the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016 (Social Services bill) should be supported.

1.29 This Bill has been subject to an inquiry of the Senate Community Affairs Legislation Committee of the last parliament, which reported on 1 March 2016.<sup>18</sup>

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16 Ms Anne Bowler, President of the National Association of Mobile Services for Rural and Remote Families and Children, *Committee Hansard*, 3 October 2016, p. 3.

17 Ms Geraldine Atkinson, Deputy Chairperson, SNAICC, *Committee Hansard*, 3 October 2016, p. 4.

18 Senate Community Affairs Legislation Committee, *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No.2) 2015 [Provisions]*, March 2016.

1.30 Submissions to that inquiry presented strong evidence that this Bill will have significant impacts on the incomes of low and middle income families.

1.31 Submissions to this inquiry have reiterated that evidence, and the cuts have been overwhelmingly opposed by stakeholders.

1.32 If this Bill is passed, millions of families – and their children – will be negatively impacted.

1.33 Low income and vulnerable families will be hurt the most, including single parents with teenage children at the critical point of their final years of schooling.

1.34 Although these impacts have been widely publicised and considered already, Labor Senators will reiterate the impacts in this dissenting report and note the disappointment that these impacts and the concerns of stakeholders have been ignored by this committee.

1.35 Because of the abolition of FTB Part A supplements, 1.2 million families will lose \$726 per child every year. Of these, 600 000 families are on combined family incomes of less than \$40 000 a year.

1.36 Because of cuts to FTB Part B Supplements, 1.3 million families will lose \$354 per family per year. These families are all on a single income. 130,000 single parent families will lose FTB Part B when their youngest child is 13. Of these, around 80,000 are on incomes of less than \$40 000 a year. Around 3 million children will be adversely affected by these cuts.

1.37 Modelling from the ANU, presented and tabled by The Parenthood, shows that many families will be worse off as a result of the combined package of child care changes and these cuts.<sup>19</sup>

1.38 For a family with one child in early education and one in school, this new analysis shows that once the Government's child care changes commence in mid-2018:

- A single parent family with an income of \$40 000 who uses early education two days a week will be up to \$1 533 worse off per year.
- A single parent with an income of \$60 000 who uses early education five days a week will be up to \$1 347 worse off per year.
- A couple with an income of \$40,000 who use early education two days a week will be up to \$1 533 worse off per year.
- A couple with an income of \$70 000 who do not meet the new activity test because one parent is trying to get back into the workforce will be up to \$6 147 worse off per year.

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19 The Parenthood, Media Release, 4 October 2016, [https://d3n8a8pro7vhm.cloudfront.net/theparenthood/pages/20/attachments/original/1475525426/MEDIA\\_RELEASE\\_-\\_Struggling\\_families\\_slugged\\_to\\_subsidise\\_childcare\\_041016.pdf?1475525426](https://d3n8a8pro7vhm.cloudfront.net/theparenthood/pages/20/attachments/original/1475525426/MEDIA_RELEASE_-_Struggling_families_slugged_to_subsidise_childcare_041016.pdf?1475525426)

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### ***Linking of the Jobs for Families Bill and the Social Services Bill***

1.39 The link between the Jobs for Families Bill and the Social Services Bill has been artificially devised for political purposes and is not supported by Labor. Investment in early education should not be held hostage to Family Tax Benefit cuts. This is robbing Peter to pay Paul: taking money from low income families to give to other families through child care assistance.

1.40 As outlined in the majority report, stakeholders overwhelmingly oppose the linking of the bills.

1.41 The Australian Childcare Alliance recommended in relation to increased investment under the Jobs for Families Bill:

That the implementation of this much needed support is not delayed by any other legislation<sup>20</sup>.

1.42 The Early Learning and Care Council recommended:

Decouple funding for the Jobs for Families Package from cuts to Family Tax Benefit payments. We believe that the Bill is an important piece of reform that stands on its own merits.<sup>21</sup>

1.43 The Parenthood said:

The link to Family Tax Benefits looks more like a political link rather than a budgetary one. It is a political strategy which will adversely impact the same families the government argues its new childcare reforms will especially benefit.<sup>22</sup>

1.44 Goodstart submitted:

Goodstart does not agree with the Government linking funding for the Jobs for Families Package with further cuts to Family Tax Benefit payments. Since the Package was unveiled in the May 2015 Budget, the Government has won support for cuts to Family Payments of close to \$1.2 billion a year, which is almost the full year cost of the Child Care Subsidy. These cuts were in addition to \$600 million p.a. of cuts to Family Payments approved by the Parliament in 2014-15, and childcare compliance measures worth a further \$500-700 million p.a. We also note that children from single income families appear to be disproportionately disadvantaged and are set to be worse off both under both the proposed Family Tax Benefit cuts and the changes to the Child Care Subsidy. As families are struggling with cost of living pressures across the board, we strongly urge the Government and the Parliament to proceed with the new CCS without any further cuts to family payments.

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20 Australian Childcare Alliance, *Submission 20*, p. 9.

21 Australian Early Learning and Care Council, *Submission 45*.

22 The Parenthood, *Submission 24*, p. 6.

## PAYING FOR THE CHILDCARE PACKAGE

<b><i>Additional Cost of Child Care Subsidy</i></b>	<b>1267.0</b>
<b><i>Family Tax Benefit cuts with Opposition support since the 2015 Budget</i></b>	<b>-1165.7</b>
Cut FTB B 13 years + couples	-179.1
No Jab No Pay	-137.6
Freeze FTB A HIFA for 2yrs	-74.0
Abolish FTB A large family sup	-60.0
FBT treatment of fringe benefits	-42.0
Cut FTB A supplement on income >\$80k	-550.0
Not proceed with FTB A 0-1yr increase	-123.0
<b><i>Family Tax Benefit savings passed in 2014-15</i></b>	<b>-619.9</b>
FTB B cutoff at \$100k	-423.9
Abolish FTB A large family supplement	-130.8
Abolish FTB A additional family add on	-65.2
<b><i>Child Care compliance savings since May 2015</i></b>	<b>-500.8</b>
Family Day Care child swapping rules	-473.8
New compliance measures Sep 2016	-27.0

When the then Prime Minister announced the Government intended to start developing a Child Care Package on 7 December 2014, he stated that the budget savings from not proceeding with the Paid Parental Leave scheme would fund it. This redirection of funding, around \$2 billion a year, would have more than paid for the package.

1.45 Information provided to the committee by the Department of Education and Training related only to the impact of the proposed early education and care changes and did not take into account the proposed Family Tax Benefit cuts. This is despite the Government's insistence that the Bills are linked.

1.46 Modelling by the ANU and submitted to the Committee by The Parenthood reinforced earlier distributional analysis by the ANU in relation to the child care changes. Taken together, the Bills will leave a very significant proportion of families worse off, or no better off. They will have an unacceptable impact on low income families, and vulnerable and disadvantaged children.

1.47 In addition, Labor Senators are very concerned that some of the families worst affected by the proposed Family Tax Benefit cuts are those with teenage children who will not benefit from child care fee assistance.

### Conclusion

1.48 Labor Senators are concerned that too many families and children will be left worse off, despite around \$3 billion in additional expenditure under the Jobs for

Families Bill. Labor Senators call on the Government to put forward amendments to their proposed child care changes in order to improve the balance between children's early education and parent's workforce participation.

1.49 The Family Tax Benefit cuts proposed in the Social Services Bill are harsh. They will hurt low income and vulnerable families. Like the measures originally put forward in the 2014 Budget they are fundamentally unfair. The Government should take them out of the Parliament and out of the Budget.

1.50 Labor Senators also oppose the idea that low income families should be held to ransom to pay for early education and care changes.

## **Recommendations**

### *In relation to the Social Services Bill:*

- 1. Labor Senators recommend that the Senate reject the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016.**

### *In relation to the Jobs for Families Bill:*

- 1. Key ministerial determinations and rules – which will set many of the parameters affecting the day to day use of the system by families – should be published before the Parliament considers the Bill. This includes those relating to children at risk, financial hardship and the activity test.**
- 2. The transition process for Budget Based Funded Indigenous and Mobile services should be stopped and direct ongoing support should be guaranteed.**
- 3. The Government should consider amendments to their child care changes to:**
  - Ensure vulnerable and disadvantaged children are provided with adequate access to early education and care;**
  - Ensure the activity test – and associated determinations and rules – don't introduce unnecessary barriers for parents trying to get back into the workforce;**
  - Continue providing children with access to two days early education a week, and trial any changes to the activity test before their introduction; and**
  - Provide an immediate increase in assistance for families; in recognition of the cost pressures families will face because of the Government's decision to delay additional assistance until mid-2018.**
- 4. Funding for early education should not be conditional on Family Tax Benefit cuts which will hurt low and middle income families.**

**Senator the Hon Gavin Marshall**  
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**Senator the Hon Jacinta Collins**  
**Australian Labor Party**