

LABOR SENATORS' DISSENTING REPORT

Introduction

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

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

Opposition to Schedule 6

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

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

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

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

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

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

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

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

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

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

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

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

Opposition to Schedule 9

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

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

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

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

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

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

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

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

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

Amendment to Child Care Rebate limit (Specifically)

No support from Peak Bodies

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

Increasingly early exhaustion of benefit

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

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

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

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

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

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

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

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

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

Senator LINES: So when will they reach that limit?

Ms Wilson: Over the course of that financial year.

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

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

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

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

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

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

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

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

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

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

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

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

1.1 On the daily cost of childcare:

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

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

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

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

On the number of families affected:

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

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

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

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

On families who decrease care to avoid reaching limits:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Childcare centres risk becoming unviable

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

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

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

Extension of the freeze further disadvantages low income families

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

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

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

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

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

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

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

Conclusion

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

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

Recommendation 1

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

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

Senator Mehmet Tillem
Australian Labor Party
Senator for Victoria

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