

SUBMISSION

Response to Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017

Date Submitted: March, 2017

Submitted by: Julia Fox
National Assistant Secretary
SDA National Office
Level 6
53 Queen Street
MELBOURNE VIC 3000

Telephone: (03) 8611 7000

Email: julia@sda.org.au

1. The Shop, Distributive and Allied Employees' Association (SDA) is one of Australia's largest trade unions with over 215, 000 members. The majority of these members are women and young people. Approximately 60% of SDA members are female, equating to approximately 131,000 women. The SDA has membership in retail, fast food, hairdressing and beauty, pharmacy, modelling and warehousing.
2. The SDA welcomes the opportunity to make a submission to the Community Affairs Legislation Committee inquiry into *Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017*.
3. The SDA understands that the Fairer Paid Parental Leave Bill 2016 will be withdrawn following the introduction of the revised PPL scheme arrangements contained in the Omnibus Bill. In the report tabled on 15 February 2017, the Community Affairs Legislation Committee Inquiry into the Fairer Paid Parental Leave Bill 2016 *'proposes to consider the concerns raised and evidence received...in conjunction with its consideration of the provisions of the Omnibus Bill'*.
4. The SDA made a submission to the Community Affairs Legislation Committee Inquiry into the Fairer Paid Parental Leave Bill 2016 on the 19 December 2016 and attended a public hearing on 1 February 2017. We would like to rely on those submissions made for the purpose of this inquiry.

OVERVIEW

5. The SDA believes that every individual and family has a fundamental human right to live decently and with dignity.
6. The SDA welcomes an increase in investment in early childhood education and care, however, we strongly oppose the increase in funding being tied to a reduction other payments to women and families. Funding early childhood education and care is a critical investment in children and families which should be funded in its own right.
7. It is widely accepted that a range of measures are necessary to encourage women's participation in the workforce and broader gender equality. Why then

is the government tying an increase in expenditure on child care to other policy measures which overwhelmingly impact on women? Funding should be appropriately increased to support all measures, not simply taking money within the same small pot and moving it from one measure to another.

8. The SDA is opposed to the proposed amendments to Family Tax Benefits and the Paid Parental Leave scheme. Whilst we support the greatly needed increase in funding to child care we have some concerns regarding some of the proposed changes, particularly in relation to the work test. The SDA also has significant concerns with the increase in child care funding being tied to reductions in other payments which are key to providing families with an adequate social wage.
9. The government should be fully funding all policy measures which support women and families including, family payments, paid parental leave and childcare.

FAMILY PAYMENTS

10. Our members are low paid workers and most live in low or middle income families who rely on social payments such as family tax benefits and child care subsidies to achieve a family income which allows them to maintain a decent standard of living.
11. The SDA is totally opposed to any move to reduce payments to families. Families are the building blocks of strong communities. The effective functioning of families is clearly and widely recognised as being critical to the well-being of society. As such, there is an overwhelming need for government to put in place strategies to support families. To function effectively a family must be able to live decently with dignity.
12. Today a considerable number of families are facing substantial economic difficulties, primarily due to inadequate income. A large number of Australian families are living below, or close to, the poverty line.
13. According to ACOSS, *'This latest Poverty Report 2016 finds that Australia has failed to reduce the level of overall poverty in our community over the 10 years to 2014, with 13.3% of the population (2.99 million people) living below the poverty line in*

2013-14. Alarmingly, there has in fact been a 2 percentage point rise in the number of children living in poverty in the period, now 17.4% (731 300 children)¹.

14. The ACOSS report also found that *'a third of people living in poverty rely on wages as their main source of income. The evidence is clear that a job does not guarantee an adequate income and we must look at both social security settings, labour market policies and jobs growth if we are to successfully address poverty²*
15. Family Tax Benefits are critical to supplementing a family's main source of income and must be done in a way to guarantee an adequate income which does not result in families living in poverty. The proposed cuts to Family Tax benefits will leave millions of families worse off. Around 500,000 families impacted by the cuts are on the maximum rate of FTB-A supplements which means their family income is less than \$52,000 per year.
16. Income inequality in Australia is growing, ACOSS has found that *'there is a big gap in incomes and wealth between different groups in society. A person in the top 20% income group receives around five times as much income as a person in the bottom 20%. A person in the top 20% wealth group has a staggering 70 times as much wealth as a person in the bottom 20%. The Report also finds that these gaps are widening⁵.*
17. Government policy must address the issue of poverty and adequate family income and the rising inequality. The government has a responsibility to ensure that all Australians have sufficient income to live decently and with dignity.
18. Low income families are very reliant upon adequate government payments to make ends meet. Without these payments many more families would be in poverty and many low income working families would be better off relying totally on social security. Public education, health services and child care also play a hugely important role in income redistribution.
19. For SDA members and their families, an effective social welfare system is critical. Income support payments from government often make the difference between

¹ Australian Council of Social Service and The Social Policy Research Centre, *Poverty in Australia 2016*,

² *ibid*

³ Australian Council of Social Services, *Inequality in Australia 2015*, page 8.

whether low income families can enjoy a basic but reasonable standard of living or otherwise.

20. Over the past two decades Australia's family payments system has played an important role in reducing child poverty levels. However, it is important to note that while spending on families increased significantly between the 1980's and the mid-nineties, it then broadly remained at a plateau until 2003/4.
21. From 2003-04 the real value of family assistance payments actually started to fall. The declining value of family assistance payments is a cause for serious concern and must be addressed now.
22. Under the Howard government the value of family payments dropped for low income families as an attempt was made by the Howard government to spread family payments to a wider section of the community, albeit at the cost of reducing the real value of payments to low income families.
23. The trend to reduce the actual real value of family tax payments to low income families continued under the Rudd-Gillard government. In 2009 the Rudd-Gillard government removed the legislative link between the rates of the Family Tax Benefit Part A and the pension rate.
24. In the absence of ad hoc increases to Family Tax benefit part A, family payments have been declining in real terms. As such government should be moving to substantially increase family payments. There are no valid grounds to withdraw the money previously allocated to family payments.
25. The Government has already cut \$3.6 billion out of family payments. The Government should be acting to restore the real value of Family Payments and to ensuring that their value over time is maintained by restoring the indexation link between Family Payments and the movement of wages or the couple pension.
26. The SDA understands that the fortnightly family payment will be increased under the proposed Bill in July 2018, however, the increase is not adequate to offset the cuts to the Family Tax Benefit A and B supplements which will be withdrawn over a phased period to July 2018.

27. The SDA is completely opposed to the changes to Family Payments proposed in the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017. This is inherently anti-family legislation. It will leave millions of Australian families financially worse off.
28. In total, there will be about 1.1 million Australian families who will lose their family Tax Benefit A Supplement and about 1.1 million families will lose their Family Tax Benefit B Supplement. These families will be left worse off.
29. Most of the families impacted will be low income families. Australia already has many families and children living in poverty. These changes, if enacted will only make the situation worse.
30. The current structure of family support payments is appropriately progressive. All such payments should continue to be means tested. As CEDA has pointed out, Australia has a well- targeted tax and transfer system.⁴
31. The provision of income support to families, either through the taxation system and/or the social security system, to allow them to effectively carry out their functions, should not be seen as providing welfare. Rather, this should be seen by the government and the community as a long term investment in the future of the nation. For low income families an effective social welfare system is critical. Income support payments from government often make the difference between whether low income families can enjoy a basic but reasonable standard of living or otherwise.
32. The proposed legislation should be rejected.

CHILDHOOD EDUCATION AND CARE

33. The SDA welcomes the much needed increase in investment in early childhood education and care, however, as stated above we do not believe this should be tied to other budget measures and be done at the expense of other family payments.

⁴ Addressing Entrenched Disadvantage in Australia, CEDA, April 2015

34. The SDA believes that decision making in the area of child care must be driven in the first instance by what is in the best interests of the child. Childcare can play a vital role in the development of Australian children and their preparation for school.
35. The SDA also recognises that the lack of access to affordable quality child care is a significant barrier to workforce participation. One of the barriers identified by the Australian Human Rights Commission (AHRC) in its national inquiry into pregnancy and return to work discrimination in regard to the participation of women in the workforce is the inadequacy of access to quality, affordable childcare. One in seven (14%) women state that the reason they did not return to work was because they could not find childcare or thought that childcare was too expensive.⁵
36. Our members predominately work in industries which operate into the night and across the weekend. Access to childcare is often non-existent when they need it. Many also work in insecure employment which a model of full day child care does not support. For many, paying for a full day of care when only working a four or five hour shift is not economically viable.
37. The SDA supports the proposal to create a single child based subsidy and we strongly support the principle of providing the subsidy on a means test basis.
38. We strongly support the position that government provided subsidies should only be available where the childcare service satisfies the requirement of the National Quality Framework.
39. The SDA supports the principle of an activity test, however, we have significant concerns regarding the changes to the activity test which are complex and will have a significant impact on families who have insecure, unpredictable or varying hours of employment.

⁵ Australian Human Rights Commission, *Supporting Working Parents: Pregnancy and Return to Work National Inquiry 2014*, p 64

40. The SDA also opposes the reduction in childcare assistance from 24 hours per week to 24 hours per fortnight for low income families. There should be increased financial support for low and middle income families.
41. It is clear that there is a great need for additional funding to be available in the child care space if quality child care is to be accessible and affordable for all families who wish to access it.
42. The SDA is concerned that the legislation does nothing to provide direct measures to address the supply of available places and does not try to limit price rises.
43. Under the proposed legislation there is a serious likelihood that 'gap' fees will continue to rise, pricing even more families out of the formal childcare system.
44. Many retail workers are employed on a part time or casual basis, often outside regular working hours. Casual hours may fluctuate during the course of the year. Casual and part time workers may need access to child care but the requirement to take a full place is neither practical nor affordable.
45. As such these workers face enormous pressures finding childcare, especially centre based care which adequately caters to their needs. The system needs to be more flexible so that part time and casual workers can have their childcare needs met more effectively and efficiently. The system needs the flexibility to cater for these needs.
46. There is a need for centre based care to be available on a part time basis during the day. We are concerned that the proposed legislation does not address this point. Unless this matter is addressed the capacity of many women to participate in the paid workforce will be limited.
47. The system has previously recognised that for a variety of valid reasons parents sometimes wish to utilise childcare services for non-work related reasons. There should be scope in the system to allow for this going forward.
48. Funding arrangements must be flexible enough to meet the needs of all families.
49. The SDA is totally opposed to any linkage between increased childcare payments and decreases to other areas of financial support to families.

50. Childcare reforms should stand on their own.

PAID PARENTAL LEAVE

51. The SDA made a submission to the Community Affairs Legislation Committee Inquiry into the Fairer Paid Parental Leave Bill 2016 on the 19 December 2016 and attended a public hearing on 1 February 2017. We would like to rely on those submissions made for the purpose of this inquiry.

52. While the SDA supports any improvement in the quantum of the government Parental Leave Payment (PLP), we strongly oppose the proposal to reduce the scheme by any amount an employee receives from their employer.

53. We recognise that the increase from 18 to 20 weeks PLP represents an increase for many employees, however, the overall impact of the Bill will result in a cut and fundamentally contradicts the objectives of the current Paid Parental Leave scheme.

54. The SDA also has some significant concerns with the drafting of the Bill and how this will be implemented and operate in practice. The examples provided in the Explanatory Memorandum raise some significant questions regarding the intention of the Bill and the practical outcomes:

- The assumption inherent in the Bill is that it will provide a minimum combined government and employer payment of 20 weeks. This is not the case for all examples provided in the Explanatory Memorandum;
- Top-up arrangements are highly complex and problematic;
- while transitional arrangements that enable parents to renegotiate complex workplace arrangements are welcome, grandfathering certain kinds of arrangements will produce highly inequitable results for the duration of the transitional period;
- the treatment of lump sum payments is complex and it is unknown if and how this will apply to return to work bonuses which are a common feature in the industries we represent. Applying the lump sum provision to Return to Work

bonuses would be completely unworkable (See PN 154 – 160 of the SDA Submission regarding the Fairer Paid Parental Leave Bill 2016).

55. The SDA submits that the Paid Parental Leave provisions contained in the Bill should be rejected. We submit that the government should improve the current Paid Parental Leave scheme towards the provision of universal access to a minimum of 26 weeks paid parental leave plus superannuation.