

6 March 2017

Senate Standing Committee on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600
by email: community.affairs.sen@aph.gov.au

Dear Committee Members,

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

Thank you for inviting submissions to assist your consideration of the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017.

While mindful of Australia's fiscal challenges, we do not believe it to be reasonable or necessary to correlate the interests of NDIS participants with Australia's lowest income groups, or families who are not in receipt of Family Tax Benefit payments with those who are.

Further, we are concerned about the broad range of proposals that would effectively cut the real levels of income support for low-income families (cuts to Family Tax Benefits supplements), sole parents (removal of Family Tax Benefit B eligibility), income support recipients (removal of the energy supplement for new recipients and freezing of income free threshold), carers and pensioners (cessation of various supplements).

Our submission comments in more detail on proposals related to early years education and care (which we previously wrote to this Committee about in 2015 and 2016), and youth employment (which we previously wrote to the Senate's Employment and Education Committee about in 2014, 2015 and 2016) which again appear in the current Bill.

1. Early years education and care

The Brotherhood welcomes many aspects of the Jobs for Families package and the overall **directions favouring low and middle-income households**. However, we remain concerned that some measures will negatively impact on children from low-income families and contribute to disadvantage. We ask the Committee to consider the following improvements.

<p>Make explicit provision for children from low income families to have access to <i>at least two</i> days per week of subsidised access to early childhood education and care</p>
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There is a well-established link between quality early childhood education and success at school and beyond. While child care is crucial to support workforce participation, early childhood education plays a

pivotal role in child development and wellbeing. Giving children access to early learning—irrespective of their parents’ workforce status—is critical, particularly for families experiencing disadvantage. However, children from Australia’s lowest income families currently participate in early childhood education and care at a lower rate than those from higher income families. This deficit contributes to a cycle of disadvantage.

The proposal to cut access to subsidised early childhood education and care to 12 hours per week (from 24 hours per week) for low-income families (less than \$65,000 per annum) who do not meet the proposed activity test will further reduce participation. In long day care services that charge daily rates, 12 hours may translate into just one day of care (despite the proposal to remove minimum hours per day and days per week requirements). This would effectively cut the current entitlement of two days of care (without meeting any activity test) in half.

The proposal overlooks the strong evidence base that moderate levels (15–29 hours per week) of participation in quality early education and care contribute to better developmental outcomes, particularly for children from socioeconomically disadvantaged households. If enacted, this proposal will increase the risk that children from low-income families will not meet developmental milestones at school entry. This may have lifelong consequences.

We are aware of current negotiations to increase the offering for low-income families from the proposed 12 hours, to 15 hours of subsidised care per week; and we have considered modelling of different implementation scenarios. We are concerned that **even if 15 hours per week of subsidised care is available, some children from low income and disadvantaged families will be shut out of attending two sessions of care.**

We understand that if a ‘15 hour compromise’ is reached, some providers are likely to adjust their service offerings to enable 2 days x 7.5 hours or even 3 days x 5 hours of care , provided the higher rate of the proposed new Child Care Subsidy is applied. If this transpired, low-income families using these providers would be substantially better off financially, while retaining access to at least two days of care. However, we have little confidence that all childcare providers would be willing to make these adaptations unless explicitly required to do so.

If providers *do not* adjust their service offerings, although many low income families would be better off financially accessing two days of care than under the status quo (because the higher proposed Child Care Subsidy paid over 15 hours is worth more than the lower Child Care Benefit rate paid over 24 hours), some families would be worse off. **Of particular concern is the risk that low income families in lower cost services that use a long session model (i.e. 11 or more hours a day) would face increased costs.** While we have not been able to quantify the number of low-income families that will be adversely affected, we are keen to ensure that their children’s access to early learning is not diminished.

A broader equity concern is that even in the ‘best case’ implementation scenarios where low-income families are not worse off, middle-income families enjoy greater savings. We do not consider this to be equitable and urge you to seek a fairer distribution of the benefit arising from any systemic changes.

Increase the base entitlement for Aboriginal and Torres Strait Islander children to boost participation in early years education and care and support the viability of early learning services.

Additional investment in early learning opportunities for children from Aboriginal and Torres Strait Islander families is needed given that they are twice as likely as non-Indigenous children to start school

developmentally vulnerable. We support calls for a higher base entitlement for Aboriginal and Torres Strait Islander children, enabling them to attend at least three sessions of care a week.

Complementary measures are needed to support the viability of Aboriginal and Torres Strait Islander controlled early learning and care services, and services in impoverished communities and remote areas.

Ensure that ‘recognised activities’ for the purposes of the activity test are broadly defined to include all forms of volunteering, studying/training, looking for work and caring for an infant or an unwell/disabled family member.

Recognised activities will be defined in a Ministerial rule, once the Bill is passed. However, we urge the Committee to consider the proposed content, and whether guiding principles could be enshrined in the bill, before making its report. We are pleased that the Australian Government has indicated it will broadly define recognised activities rather than adopting the narrower definitions used for income support recipients and that parents will be able to combine paid work with all other forms of recognised activity to satisfy activity test requirements.

Recognised activities ought to include:

- all forms of volunteering, for example, volunteering in schools and early learning settings
- caring for an unwell/disabled family member (with or without carers payment)
- training and study, regardless of the level or type of course
- looking for work, regardless of whether a person is registered with a *jobactive* provider
- caring for an infant, regardless of whether the person has access to parental leave (many in casual work do not).

Ensure that the activities test is flexibly applied for parents in irregular, casual and seasonal work.

Many parents we assist have a precarious attachment to the labour market, working varied and unpredictable hours in any given week because of their reliance on casual, contract or seasonal work. These families need access to regular, affordable child care. Flexible application of the activities test will be crucial to ensure that their children can continue to benefit from attending early education and care. Parents in irregular work need to maintain their child-care place, even in weeks when they are not working; otherwise they will not be able to take up work opportunities when they arise.

We note the government’s indication that parents in casual or irregular work will be allowed to smooth out their hours of activity over a three-month period. This is a positive development, although we remain concerned about how a child’s participation in early learning and care will be safeguarded where their parents are moving in and out of precarious work.

2. Youth employment

High levels of youth unemployment are scarring young people, their families, their communities and the Australian economy. While the burden of youth unemployment falls most heavily on young people who are deeply disadvantaged, young people across the socioeconomic spectrum face challenges navigating the changing world of work amid rapid technological change in the modern economy. These generational challenges look very different from the ones encountered by their parents or grandparents when they left school.

Against this background, the Government's Youth Employment Strategy has been a welcome and significant investment in assisting young people who are not working or studying to become job-ready. Notably, the Transition to Work (TTW) and the PaTH programs, announced in recent Budgets, have been welcomed by our organisation.

However, the Brotherhood remains deeply concerned about proposals that will reduce income support for some categories of young people while they are seeking work.

Reconsider the unintended consequences of the proposal to introduce a four-week wait period for income support for young people considered job ready (Stream A).

Based on our practical experience, we believe the proposal to make some young jobseekers serve a wait period without income support will have harsh unintended consequences, especially for those young jobseekers who do not have financial support of their families. It could jeopardise a young person's housing, health and wellbeing, which in turn could place demands on other services. It will undermine their capacity to find work and to engage in the proposed 'rapid activation' activities.

While noting that the four-week wait period is designed to apply to Stream A jobseekers, we are cognisant that the proposed system would depend on Centrelink assessments of jobseekers' circumstances. Our practical experience is that such assessments are often unreliable and true circumstances are sometimes not disclosed until after the assessment. Consequently, young people are frequently allocated to inappropriate 'streams' within the *jobactive* system. The proposed grounds for exemptions to wait periods are narrowly framed (being a victim of domestic violence in the last four weeks; or financial hardship due unavoidable or unreasonable expenditure in the last four weeks) and undefined (matters prescribed in a legislative instrument).

Reconsider the adequacy concerns arising from the proposal to lift the eligibility for Newstart and Sickness Allowance from 22 to 25 years

The rate of Newstart is already below the poverty line; the rate of Youth Allowance is even lower. Given the strong evidence that impoverishment undermines a person's capacity to find and retain work, the proposal to raise the age of eligibility for Newstart would increase barriers to work for young jobseekers—with hardship amplified for those who lack family financial support. Further, it would damage the capacity of young people experiencing disadvantage to transition into adulthood and build self-reliance.

The Brotherhood stands ready to assist the Committee in its work. Please contact my office on (03) 9483 1327 if we can help further.

Yours sincerely,

Tony Nicholson
Executive Director