



**THE
AUSTRALIAN
FAMILY
ASSOCIATION**

***Inquiry into the Social Services Legislation
Amendment (Omnibus Savings and Child
Care Reform) Bill 2017***

Submission made by

Australian Family Association

(National Office)

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to

Committee Secretary

Senate Standing Committees on Community Affairs

PO Box 6100

Parliament House

Canberra ACT 2600

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About the Australian Family Association

The AFA is an association of people in the community who are concerned about the wellbeing and sustainability of family life in Australia.

The Association is financed through membership fees and donations.

The objectives for which the Association is established are as follows:

- (i) to cultivate within society an appreciation that the integrity and well-being of the family is essential to the stability, morale, security and prosperity of the Australian nation;
- (ii) to analyse laws and policies for their effect on the family and to formulate and promote corrective measures as necessary;
- (iii) to support initiatives taken by other individuals and organisations in support of the traditional family;
- (iv) by means of conferences, seminars and the active involvement of individuals and groups, to create public awareness of the fundamental importance of the family unit;
- (v) to facilitate research and act as a resource centre for the effective pursuit of the Association's objectives;
- (vi) to facilitate programs in family education;
- (vii) to promote and encourage the development of services to assist families in difficulties;
and
- (viii) to do all such things as are incidental or conducive to the attainment of the above objectives.

The Association's patrons are:

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Executive Summary:

The *Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017* **should not be passed** without amendments.

While the intentions of some measures are laudable the larger effect of the bill will be negative.

Of particular concern is the proposed elimination of all Family Tax Benefits supplements in order to allocate more funding for child care subsidies.

Recommendation 1: All clauses to reduce and/or eliminate Family Tax Benefit supplements (Part A or Part B) should be removed from the bill.

Recommendation 2: All clauses to increase child-care rebates/benefits, remove the caps or expand those eligible to receive them should be removed from the bill.

Recommendation 3: Alternative savings measures should be introduced into the bill such as means testing all child-care rebates (CCR) and reducing the current subsidy rate of up to 50%.

Recommendation 4: The bill should be amended to change the Commonwealth *Paid Parental Leave* scheme by a) removing the work test b) reducing the amount paid from ~\$12,000 to \$8,000 and paid equally to all new mothers over 6 months.

Recommendation 5: the quantity of savings in (2 and 3) and spending in (4) should be balanced to ensure no significant increase in Commonwealth spending.

Recommendation 6: the government should introduce a preliminary (perhaps capped) scheme of family-based income taxation, allowing parents' incomes to be pooled for tax purposes and offset the reduced income tax receipts with reductions in FTB part A.

1. Why the bill should be rejected or amended.

Why is the Coalition Government driving its support base of families away?

The natural base of conservative voters includes most of the cohort of families with three (or more) children that generally do their own child-care work and do NOT benefit from Paid Parental Leave payments or Child Care Rebates.

The base of support for the Coalition is shifting to other alternative parties as evidenced in the latest Newspoll results.

FTB supplements, in addition to normal fortnightly payments, provide a timely balance of payment that assist all recipient families particularly those who may have under estimated their projected incomes in relation to receiving child care rebates, FTB payments and others.

Given the complexity of Australia's payments and welfare system, removing this lump sum end-of-year family tax benefit supplement will cause pain and frustration for many families.

Only higher-income families might foreseeably view the final lump sum payment (FTB supplement) as insignificant or unnecessary, whereas your typical busy middle and lower income families are likely to be unfairly disadvantaged if it were abolished.

In the bill before the committee, the Government has significantly increased government spending by way of subsidies to out-sourced care of babies and very young children, ignoring expert advice that early day-care carries significant risks of harm.

The costs of government involvement in parents' decisions about care arrangements for their babies and young children have not been adequately quantified by government, and perhaps it is fair to say, completely ignored by government.

Even today the most sought-after and beneficial form of childcare is unwaged mum or dad home care.

A large longitudinal study has shown that stranger group care (day-care) for children aged 0-3, carries negative outcomes (see section 2) and is measurable in a 'dosage'-like correlation. I.e. The longer or earlier doses of stranger group care (day care) the more harms are evident in later schooling life of the child *regardless of the quality of the day-care*.

By funding only approved care centres with a subsidy arrangement the government is acting as a coercive agent, distorting the preferred choices of parents.

It is better for families and cheaper for government to leave parents to freely decide what care arrangement and work-life balance suits their family by funding parents directly.

To achieve this 'deregulation' the Commonwealth should gradually eliminate all direct funding of child-care providers and instead maintain a modest and equal care payment system paid directly to parents.

This would mean parents have real choice of childcare options.

2. More paid work is not what most women want¹

"Women with children, against their wishes, have been pushed into the paid workforce because of mounting household debt, stratospheric house prices, larger mortgages and a tax/welfare system that punishes single-breadwinner couples.

But this is not necessarily where women want to be, according to a report, *What Women Want ... and how they can get it*, written by Cristina Odone and published by the UK Centre for Policy Studies.

The study is based on two on-line polls by YouGov, in which two batches of over 4,500 people were interviewed. (The report is available from www.cps.org.uk).

The poll found that:

- only 1 per cent of mothers with children under five thought that the mother, in a family where the father worked and there were two children under five, should work full-time;
- 49 per cent of such mothers thought she shouldn't work at all.

Fathers who were asked the same question offered an almost identical response:

¹ Patrick J Byrne, *Treasury push to get more mothers into paid work*, News Weekly October 31st 2009.

- only 2 per cent thought mum should work when her husband worked and the children were under five; and
- 48 per cent thought she shouldn't work at all.

Further, only 12 per cent of mothers with children of any age wanted to work full-time and 31 per cent did not want to work at all.”

The author, Odone is highly critical of the "commentariat" group that...

"influence and design public policy [and] claim to represent women, but choose to ignore their preferences. Their aim is to get more women into full employment, and ease their burden once they get there. Yet this policy satisfies only one in five women - and ignores the wishes of 99 per cent of mothers with young children."²

3. Negative outcomes of outsourced early day care – parents’ right to choose

This is an important issue, which is often overlooked in the debate about child care payments and paid parental leave policy. Parental leave policy must not be viewed in isolation; it is intimately and inextricably related to childcare funding.

By reassuring mothers to enter the workforce in order to receive the PPL entitlement, those mothers will be forced to outsource the care of their other young children, presumably by placing those children in institutional care.

The 2009 Senate committee that conducted the *Provision of Childcare* inquiry looked at some of the high quality childcare research. It found that formal early childcare risks stunting children’s social, emotional and behavioural development. It said: “Infants are typically best cared for at home by their parents.”³

Outsourced childcare has significant social and welfare costs. The world’s largest and most authoritative study into childcare effects is the American National Institute of Child Health and Human Development (NICHD) study. Over 1,000 children from around 10 locations across the US have taken part in research conducted by the NICHD over 15 years.⁴

Children surveyed periodically from birth to age 15 have been found to have a higher propensity for risk taking and impulsive behaviour;⁵ emotional problems such as depression, aggression, anxiety, lack of empathy; and behavioural problems, proportional to the amount of time spent in centre-based day-care. Surprisingly, the higher incidence of these negative outcomes was linked to the “dosage” of institutional day-care, *regardless* of the quality of care provided.

Furthermore these day-care effects have been found to be “contagious,” such that children not in day-care developed similar problems when placed in year one classrooms with “day-

²<http://www.cps.org.uk/files/reports/original/111027121244-20091009SocialPolicyWhatWomenWant.pdf> (Pg.2)

³ Final Report *Provision of Childcare Inquiry* of the Education, Employment and Workplace References Committee, November 2009.
http://www.aph.gov.au/SEnate/committee/eet_ctte/child_care/report/report.pdf

⁴ A summary of NICHD findings and support for equal financial support to parents from lead researcher Prof. Jay Belsky –
http://www.mpsv.cz/files/clanky/6640/9_Jay_Belsky_EN.pdf

⁵ Peter Cook, “Mothering Denied – How our culture harms women, infants, and society”, 2008, p77.

<http://www.playgroupaustralia.com.au/qld/index.cfm?objectID=44301315-E7F2-2F96-3BE56007DF3D40A8>

care children". A classroom with a handful of disruptive children makes life hard for teachers; what will be the effect when the numbers dramatically increase due to the impact of institutional childcare?

Unfortunately, the impact of institutional childcare does not end in early childhood. Previously undetected latent effects of institutional care have been observed in 15 year olds who had spent long hours in day-care when very young. In particular, such children were found to have abnormally low cortisol levels, indicating increased stress in early years.⁶

Further, a study into the effects of heavily funded PPL and day-care in Quebec found "children [were] worse off by measures ranging from aggression to motor and social skills to illness." The study also uncovered "...evidence that the new child care program led to more hostile, less consistent parenting, worse parental health, and lower-quality parental relationships."⁷

4. No evidence that increased child-care subsidy will pay for itself

There is no proof that child-care subsidy funding will "pay for itself" by generating more tax than it consumes. The first ~\$18,000 of income is tax free, and the next ~\$20,000 is taxed at 19 cents per dollar. So, for example, a mother earning \$37,000 over three days/week will only pay \$3,572 in income tax per annum but is eligible for up to \$7,500 **per child** in child-care subsidies or more if this bill is passed.

In Canada, economist Michael Baker's study showed that childcare subsidies in Quebec (as distinct from PPL) were a net burden on taxpayers, with only 40% recouped in taxes by the 7% increase in female paid work participation. The study included "some" increased childcare use by mothers who were not in paid work.

However, the day-care funding came at a significant net cost to taxpayers, despite the large rise in labour supply.⁸

5. The CCR subsidy scheme has and will continue to be exploited fraudsters

The Government boasts of \$421 million dollars in crack downs already.⁹

One Australian broadcaster reported that around \$1,000 million dollars has been stolen through dodgy childcare operations over a three year period.¹⁰

A case before the NSW courts involved a woman fraudulently claimed more than \$3 million in childcare benefits.¹¹

⁶ Ibid p86.

⁷ "Universal Child Care, Maternal Labor Supply, and Family Well-Being" by Michael Baker et al., University of Toronto, Journal of Political economy, v.116 2008.

⁸ "Universal Child Care, Maternal Labor Supply, and Family Well-Being" by Michael Baker et al, University of Toronto, Journal of Political economy, in particular p 724-276. v.116 2008.

⁹ <http://christianporter.dss.gov.au/media-releases/responsible-budget-savings-to-fund-more-affordable-child-care-for-australian-families>

¹⁰ <https://tenplay.com.au/news/national/february-2017/billion-dollar-dodgy-childcare-scams-exposed>

¹¹ <http://www.abc.net.au/news/2016-11-24/childcare-fraudster-found-guilty-over-243-million-dollar-rort/8054920>

Another case before NSW courts involved two men charged with childcare fraud who are under counter-terrorism investigation. Alleged the scam collected \$27 million dollars in childcare benefits since 2012.¹²

Rorting of family day care funding is also a problem highlighted by the Government recently.

A capped or uncapped subsidy system that directly funds day-care businesses will always be at risk of fraud.

Alternatively funding parents directly (as in FTB) avoids this problem, and places the power in decisions about what is and what isn't quality, appropriate and well-priced care into the hands of parents who are naturally the most concerned about the welfare of their children and concerned about getting good value for money.

As Judith Sloan has described it, government spending linked to a set of care-choices traditionally the sole domain of parents' private decision making has created a 'hamster wheel'.¹³

The Coalition's response to the increasing costs has been to take money from its own base of supporting families and use the money to feed the hamster.

6. The cuts to FTB and increases to CCR and PPL will put further downwards pressure on Australia's already low birth rate

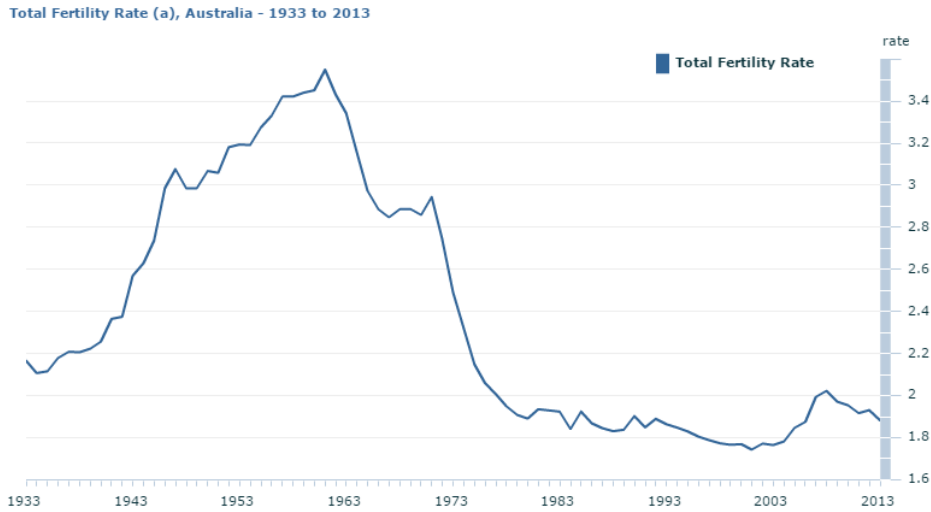
In 2013 the Australian Bureau of Statistics calculated our Total Fertility Rate at 1.88, significantly below replacement levels of 2.1.

The following chart¹⁴ shows that Australia has suffered a below replacement birth rate since the mid-1970s. (Source: ABS)

¹² <http://www.abc.net.au/news/2016-08-14/nsw-opposition-says-child-care-fraud-proves-holes-in-industry/7732196>

¹³ <http://www.theaustralian.com.au/opinion/columnists/judith-sloan/childcare-equation-is-simple-let-x-mark-the-spot-where-sense-applies/news-story/054b7359bedf407ca1b130bed917d5c3>

¹⁴ <http://www.abs.gov.au/ausstats/abs@.nsf/Previousproducts/3301.0Main%20Features42013?opendocument&tabname=Summary&prodno=3301.0&issue=2013&num=&view>

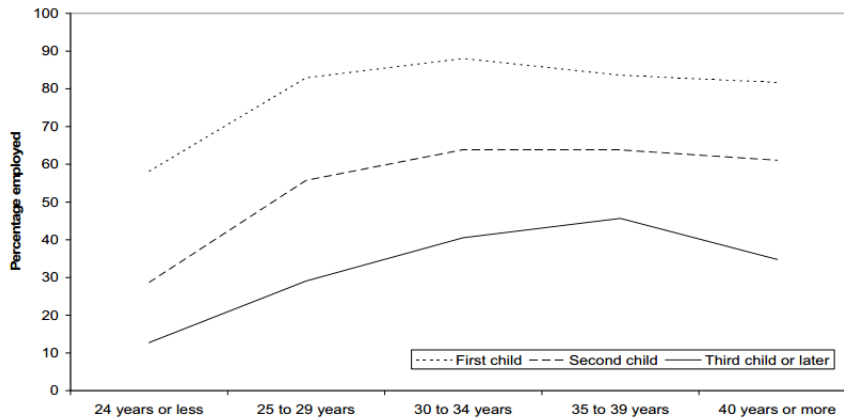


Further, Peter McDonald, Professor of Demography at the Australian National University, has shown that 32.6% of Australian women, having three or more children, accounted for 56.0% of the children that had been born to all women.¹⁵

This is significant when you consider the following graph showing the employment rates of mothers during pregnancy, by birth order and mother’s age.

By the birth of the third child the vast majority of mothers have left paid work to care for young children.

Figure 3.1 **Employment rates of mothers during pregnancy, by birth order and mother’s age^a**



^a Employment refers to mothers’ employment at any time during pregnancy.

Source: AIFS (sub. 138; p. 10); LSAC Wave 1.

Productivity Commission’s *Paid Parental Leave: Support for Parents with Newborn Children*, February 2009, Figure 3.1, pg. 3.8.

¹⁵ Peter McDonald, Australian National University Professor of Demography and Director of the Australian Demographic and Social Research Institute; see also Australian Bureau of Statistics, 2006 Census, Basic Community Profiles, Table B23.

The report also emphasizes: “The nature of employment among pregnant women differs significantly between those expecting their first, second or third child. Figure 3.1 [above] shows that women with more children are more likely to be outside of paid work, and therefore less likely to be associated with formal maternity leave.” (pg. 3.8)

Put another way, a family can handle two children and both parents in paid work, but three or more children requires one parent providing full-time domestic care for their family.

It is this cohort of families having 3 or more children that have prevented Australia’s total fertility rate from dropping significantly lower.

What this means is the families having the bulk of Australia’s children are having three or more children and prefer one parent who has almost completely left paid work to devote to the unwaged work of caring for children.

It is today’s couples who currently have 0-2 children and aspire to devote more time and sacrificed wages to have 3 or more children, who will be dissuaded by the consistently discriminatory funding arrangements of PPL with its associated work test and outsourced child-care subsidies.

In summary, the CCR and PPL schemes, along with cuts to FTB part A and B:

- combine to form a powerful disincentive for low and middle income families to consider having a third child; and
- together penalise those families who do choose to have three or more children and who are making the biggest contribution to maintaining the Australian birth rate. Given that rising house prices and mortgages are likely to reduce the number of families having three or more children, this policy will make it even harder for these families.

On these matters, government policy should be neutral so that parental right to choose the form of care for their children is respected.

7. Australian couples are having significantly less children than they aspire to

The Australian Institute of Family Studies surveyed men and women to inquire about ideal, expected and actual family size. The 2008 study is still the most recent Australian survey of its kind and shows that for men and women, the number of children born to couples is significantly lower than their ideal. On average, men aged 35-39 have had 0.9 children fewer than their ideal, and women aged 35-39 have had 0.67 fewer.¹⁶

Furthermore, men and women who intend on having children,

“gave highest priority to four sorts of factors they take into account when contemplating having children: (i) economic (costs of children, male partner’s job security); (ii) characteristics of partner (good parent, wife’s age); (iii) love for child; and (iv) marital stability (certainty/uncertainty of lasting relationship).”¹⁷

¹⁶ <https://aifs.gov.au/publications/fertility-and-family-policy-australia/6-views-about-having-children>

¹⁷ <http://www.cis.org.au/app/uploads/2015/07/pm101.pdf?>

Of these four factors only two can be impacted by government policy: 1) marital stability and 2) economic conditions (job security).

Therefore, the government should focus marriage and child/birth funding to maximise the chances of couples attained their ideal family size which is significantly greater than the current total fertility rate of ~1.88 children per woman's lifetime.

8. Australians prefer parent-care and equal PPL funding

Offered equality, Australian's overwhelmingly reject paid work test PPL in favour of a modest scheme that funds every newborn equally.

This is borne out by a Galaxy Poll of 1,042 adults commissioned by the Australian Family Association in March 2010 asked –

“In your opinion, should the government's Paid Parental Leave plan give equal funding to both mums in paid work and stay-home mums to afford bonding time with their babies?”

An overwhelming majority of 2 in 3 voters rejected a discriminatory PPL, preferring instead equal birth funding for both paid work mums *and* unwaged mums doing their own childcare work. Even greater numbers of parents (71%) and young adults 18-34 years (79%) favoured equal funding.¹⁸

9. The Paid Parental Leave work-test divides Australian mums into 2 classes

At present new mothers are funded very differently depending on their recent loyalties:

- A new mother who has **shown recent loyalty to paid work** in preceding 13 months receives:
\$12,100 of tax-payer funding unearned cash bonus.
- A new mother who has **shown recent loyalty to older children** (or who had no paid work for any reason) in the preceding 13 months receives:
\$1,000 of tax-payer funding unearned cash bonus.

Treating the costs around birth of child in this way unfairly discriminates against mothers who are caring for older children, or not in paid work for any reason including sickness or difficulty finding work.

10. All the extra spending, won't draw many mothers into paid work

Almost all ongoing child care related payments (CCB, CCR) are directed only to families that outsource their child care work to government approved providers.

¹⁸ <http://www.family.org.au/national-campaigns/137-publications/afa-update/afa-family-update-vol-25-no-2-2010/305-afa-galaxy-poll-64-of-australians-want-equality-in-paid-parental-leave>

It has been demonstrated that this enormously costly and bureaucratic endeavour only marginally shifts mothers of young children into paid work.

The key reason for this is quite obvious: mothers and fathers naturally seek to care for and bond with young children.

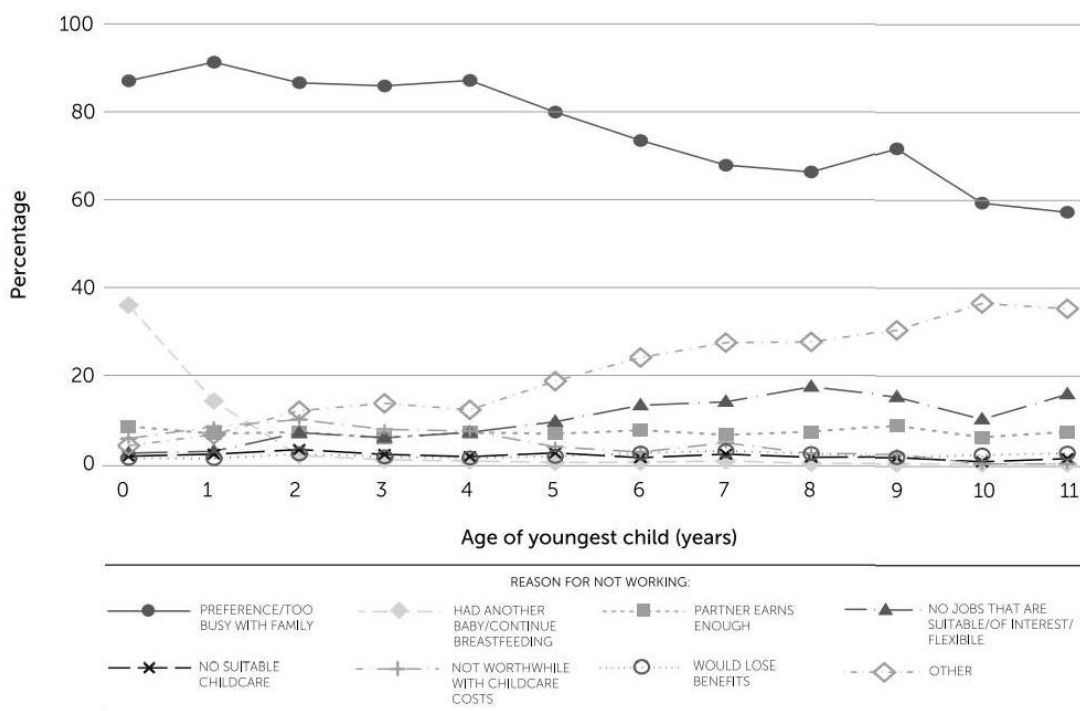
It becomes particularly impractical to squeeze in paid work hours when there are three or more children under school age (the very cohort responsible for pulling Australia's birth rate up from the gutter).

Given government's understandable interest in increasing the paid work participation of mothers/parents, surely the relatively short window of time (5 years) that a parent devotes mainly to their young child's needs should be supported rather than competed for.

Incentives to return to paid work should be flexible and begin when the youngest child had begun attending school.

The Australian Institute for Family Studies reported in 2013 the table below (Figure 14) showing the reasons why parents were not in paid work.

Figure 14: Not employed mothers' reasons for not working by age of youngest child



Source: LSAC Waves 2-4, B and K cohorts.

It shows that over 80% of mothers when asked to explain why there are not in paid work answered, "Preference/too busy with family".

The answer remains over 80% until the youngest is 5 years. After that more than half of mothers still maintain this preference until the youngest is 11 years (leaving primary school).

Also noteworthy, is the first year of the new child's life, includes 38% of mothers who had another child being breastfed or looked after at that time.

Also notable, is the chief reason offered, from the child's second birthday, for those looking for paid work was, "no jobs that are suitable/of interest/flexible".

Conclusion

For nearly 10 years now successive governments have worsened the funding discrimination against parent-care choice in favour of out-sourced stranger group care (day-care). If this trend is not reversed soon, the ballooning expenditure will require more tax increases, birth rates will continue to drop or remain suppressed at below replacement levels, children will suffer for lack of time spent with parents in the early years (0-3), educational outcomes will suffer and many families in the middle and lower income brackets will find themselves financially powerless to balance work/life/carer time in a way that best suits their family.

END