



Australian Government

Australian Government response to the
Senate Community Affairs Legislation Committee report:

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

June 2017

Introduction

The Australian Government welcomes the Senate Community Affairs Legislation Committee's (the Committee's) report to the Inquiry into the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017 (the Omnibus Bill).

Since the Committee tabled its report, the Government has decided not to proceed with the Omnibus Bill and it was discharged from the Notice Paper on 23 March 2017.

A number of key measures included in the Omnibus Bill were subsequently passed by the Parliament in other pieces of legislation, including the *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Act 2017* and the *Social Services Legislation Amendment Act 2017*.

The Government considers all remaining measures are reasonable but acknowledges that many of these measures are not able to be progressed in the current Parliament.

Status of measures contained in the Omnibus Bill

Schedule 1 Payment Rates

Schedule 2 Family Tax Benefit Part B rate

Schedule 3 Family Tax Benefit supplements

The Government announced in the 2017-18 Budget that these measures will not be proceeding.

Schedule 4 Jobs for families' child care package

The *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Act 2017* (the Child Care Act), was enacted on 4 April 2017. Measures contained in Schedule 4 of the Omnibus Bill are the same as those contained in the Child Care Act, with the exception of an amendment, introduced by Senator Derryn Hinch, to remove entitlement to the Child Care Subsidy for families with incomes of \$350,000 or more in 2017-18 terms.

The Child Care Act gives effect to the legislative elements of the Government's *Jobs for Families Child Care Package* (the Package), including the new Child Care Subsidy, Additional Child Care Subsidy and strengthened legislative compliance provisions. These elements, together with the new Community Child Care Fund, will commence in July 2018.

The Package will provide genuine, much needed reform for a more affordable, accessible and flexible child care system. These reforms will provide more access to subsidised child care to the families who work the most hours, and higher levels of financial support to the families who earn the least. Around one million Australian families balancing work and parenting responsibilities will benefit from the Package.

Schedule 5 Proportional payment of pensions outside Australia

The Government announced in the 2017-18 Budget that this measure will not be proceeding.

Schedule 6 Pensioner education supplement

Schedule 7 Education entry payment

The Government announced in the 2017-18 Budget that these measures will not be proceeding. The Government has instead announced new changes to the Pensioner Education Supplement and Education Entry Payment, from 1 January 2018, to align payment rates with study loads. Additionally, the Pensioner Education Supplement will only be paid during study periods, and not during semester breaks and holidays. These changes are planned to be included in a subsequent Social Services legislation amendment bill.

Schedule 8 Indexation

This measure was reintroduced to Parliament and enacted on 12 April 2017 in the *Social Services Legislation Amendment Act 2017*.

Schedule 9 Closing energy supplement to new welfare recipients

This measure was reintroduced to Parliament on Wednesday 31 May 2017 in the *Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017*.

Schedule 10 Stopping the payment of the pension supplement after six weeks overseas

This measure is planned to be reintroduced in a subsequent Social Services legislation amendment bill.

Schedule 11 Automation of income stream review processes

This measure was reintroduced to Parliament and enacted on 12 April 2017 in the *Social Services Legislation Amendment Act 2017*.

Schedule 12 Seasonal horticultural work income exemption

This measure was re-introduced to Parliament on 23 March 2017 in the *Social Services Legislation Amendment (Seasonal Worker Incentives for Jobseekers) Bill 2017*.

Schedule 13 Ordinary waiting periods

This measure was reintroduced to Parliament and enacted on 12 April 2017 in the *Social Services Legislation Amendment Act 2017*.

Schedule 14 Age requirements for various Commonwealth payments

Schedule 15 Income support waiting periods

Schedule 16 Other waiting period amendments

Schedule 17 Adjustment for primary carer pay and other amendments

Schedule 18 Removal of parental leave pay mandatory employer role

The Government announced in the 2017-18 Budget that these measures will not be proceeding.

Majority report

The Committee's majority report recommended that the Omnibus Bill, in its entirety, be passed.

Labor Dissenting Report

The Labor Senators' dissenting report recommended that the Omnibus Bill be rejected.

Greens Dissenting Report

The Green Senators' dissenting report recommended that the Omnibus Bill not be passed.

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

Recommendations contained in the Committee's Report

1. The committee recommends that the Bill be passed

The Omnibus Bill sought to introduce a range of new and previously introduced measures from the Social Services, Education and Training portfolios to improve the fairness and sustainability of government payments.

Five of the schedules in the Omnibus Bill have been passed in other Bills:

- Schedule 4 – jobs for families child care - the *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Act 2017* was enacted on 4 April 2017;
- Schedule 8 – indexation – was enacted on 12 April 2017 in the *Social Services Legislation Amendment Act 2017*;
- Schedule 11 – automation of income stream review processes – was enacted on 12 April 2017 in the *Social Services Legislation Amendment Act 2017*;
- Schedule 13 – ordinary waiting period –was enacted on 12 April 2017 in the *Social Services Legislation Amendment Act 2017*.

The Government remains committed to the measure at Schedule 12 of the Omnibus Bill (seasonal horticultural work income exemption). It responds to concerns about the ability of the Australian horticulture industry to attract sufficient numbers of seasonal workers by introducing three incentives, each aimed at increasing the number of jobseekers who undertake horticultural seasonal work. This measure was re-introduced to Parliament on 23 March 2017 in the Social Services Legislation Amendment (Seasonal Worker Incentives for Jobseekers) Bill 2017.

The Government also remains committed to at Schedule 9 of the Omnibus Bill (closing energy supplement to new welfare recipients). This measure seeks to end compensation for a carbon tax that no longer exists by closing the energy supplement to new welfare recipients. The Government does not consider it appropriate to continue to compensate people for a tax that no longer exists. This measure was reintroduced to Parliament on Wednesday 31 May 2017 in the Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017.

The measures in schedules 6 and 7 (the Pensioner Education Supplement and Education Entry Payment measures) will not be proceeding as included in the Omnibus Bill. The Government instead announced in the 2017-18 Budget that it will be progressing changes to align the rates for these payments with study loads. In addition to this, the Pensioner Education Supplement will only be paid during semester periods, and not during study breaks and holidays. These changes are planned to be included in a subsequent Social Services legislation amendment bill.

The Government will not be proceeding with the remaining ten measures. The Government considers that these measures are reasonable but acknowledges that they are not able to be progressed in the current Parliament.

Recommendations contained in the Labor Senators' Dissenting Report

1. That the Senate reject the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017

As noted above, a number of key measures included in the Omnibus Bill have subsequently been passed or reintroduced to Parliament in other pieces of legislation. While the Government has announced that some measures will not be proceeding, the Government considers these to be reasonable measures designed to safeguard the sustainability of the payments system. The decision to reverse these measures in the 2017-18 Budget acknowledges that these measures are not able to be progressed in the current Parliament.

2. That the Government de-couples the child care changes from unfair and unrelated cuts

Having secured the offsets required to fund the Jobs for Families Child Care Package, through the passage of the *Social Services Legislation Amendment Bill 2017*, the Government proceeded with consideration of the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016, which was introduced into Parliament on 1 September 2016 and which was the subject of a separate Inquiry by the Education and Employment Legislation Committee, with that Committee reporting on the Bill on 10 October 2016. The Bill was passed by the Parliament on 27 March 2017 and enacted as the *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Act 2017* on 4 April 2017.

3. The Government takes the cuts to pensioners, cuts to new mothers, families, young people, jobseekers, people with disability and carers contained in the Bill out of the Parliament and out of the Budget

The Government considers that the measures included in the Omnibus Bill were reasonable and necessary to improve the fairness and sustainability of Government payments. These measures were designed to encourage participation in work and study, while maintaining a fair and reasonable safety net for those in need.

The Government acknowledges that a number of these measures are not able to be progressed in the current Parliament. To ensure the Budget remains credible, the Government decided in the 2017-18 Budget that it would not proceed with these measures as outlined above.

The Government remains committed to ensuring that Australia's welfare system provides appropriate support to those in need while also remaining sustainable for future generations.

4. The Government fixes the proposed child care changes so vulnerable and disadvantaged children continue to have access to two days early education a week, and Indigenous and country services are protected

The Government recognises that children from disadvantaged backgrounds benefit most from quality early childhood education and care, which is why the Package provides additional support to low income families who do not meet the activity test.

The Child Care Safety Net will support families earning around \$65,000 or less who do not meet the activity test for the Child Care Subsidy, by providing up to 24 hours per fortnight of subsidised care. This is equivalent to two six-hour sessions per week, which will be provided at the highest rate of subsidy, and is intended to ensure children from these families have access to important early education opportunities.

Some child care services already offer shorter sessions, such as six hour sessions, where there is demand from families. Changes to child care service operating requirements will enable child care providers to tailor specific packages for families to access early education

opportunities under the Child Care Safety Net.

Furthermore, the Additional Child Care Subsidy component of the Child Care Safety Net will provide targeted additional fee assistance to families and children facing barriers in accessing affordable child care, including:

- children at risk of serious abuse or neglect
- grandparents on income support who are the principal caregivers of their grandchildren
- families experiencing temporary financial hardship
- low income families transitioning to work from income support.

The Government is committed to ensuring services in disadvantaged, regional or remote communities continue to operate beyond the introduction of the Package.

From July 2018, the Community Child Care Fund will provide grants to child care services to reduce barriers to accessing child care, provide sustainability support for child care services experiencing viability issues, and provide capital support to increase the supply of child care places in areas of high unmet demand, particularly in disadvantaged, regional or remote communities.

Funding of \$61.8 million from the Community Child Care Fund will be set aside to support the transition of services, including mobile services, in regional, rural and remote communities that are currently supported through the Budget Based Funded (BBF) program. This funding is in addition to the Child Care Subsidy and the Additional Child Care Subsidy, and will ensure ongoing viability as these services transition to the new system. Where services do not primarily deliver child care, they will be supported to transfer to an alternative Commonwealth portfolio that better aligns with their activity. Funding will follow these services to their new portfolio.

The Department of Education and Training has engaged consultants to provide support to BBF services, including BBF mobile services, in their transition to the new child care system or, where appropriate, to move to alternative funding arrangements. This support commenced in May 2016 and each service has received a draft Baseline report. Consultants will continue this support to BBF services which includes face to face meetings, workshops and online tools and templates.

Recommendations contained in the Australian Greens' Dissenting Report

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| 1. The Australian Greens recommend that the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017 NOT be passed |
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As outlined in the response to the recommendation in Labor's dissenting report, a number of key measures included in the Omnibus Bill have subsequently been passed or reintroduced to Parliament in other pieces of legislation. While the Government has announced that some measures will not be proceeding, the Government considers these to be reasonable measures designed to safeguard the sustainability of the payments system. The decision to reverse these measures in the 2017-18 Budget acknowledges that these measures are not able to be progressed in the current Parliament.