

Submission:

**Social Services Legislation Amendment
(Omnibus Savings and child Care Reform)**

Bill 2017



FINANCE SECTOR UNION

National Secretary: Julia Angrisano

2/341 Queen Street

Melbourne Victoria Australia 3000

P: 1300 366 378

E: fsuinfo@fsunion.org.au

www.fsunion.org.au

SUBMISSION TO THE STANDING COMMITTEE ON COMMUNITY AFFAIRS LEGISLATION COMMITTEE

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

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1. Introduction

The Finance Sector Union (FSU) of Australia welcomes the opportunity to contribute to the provisions of the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017.

The Finance Sector Union of Australia (FSU) is the trade union representing employees working in the banking, finance and insurance sector. The industry consists of more than 420 100 employees nationwide, with women making up approximately 51% of the total number of workers within the sector¹

The FSU represents workers across a broad spectrum of the banking, finance and insurance sector, and many of these workers are in part-time, casual, and precarious employment. All of the measures proposed in the Omnibus Bill will affect some workers and families of finance sector workers and we provide comment on each of these measures broken into 3 sections.

The first section deals with the measures relating to childcare and family payments. Child care affordability and family payments are important issues for our members, the majority of whom are modestly paid women. As women typically have a greater role in caring for children, these provisions will disproportionately affect women.

The second section deals with the proposed changes to the government funded paid parental leave scheme. The FSU provided a detailed submission to the Committee in December 2016 on this particular measure and as the Committee has indicated that previous submissions will be taken into account, only a brief response is provided in this submission.

The final section addresses the proposed cuts to a variety welfare payments that the government has indicated will provide the increased funding for the childcare package. The FSU is concerned that funding of this program is designed to come from a cut to family tax benefits and unemployment benefits instead of other sectors of the economy.

These public policy areas affect women's participation in the workforce, and changes may impact on hours of work, promotional opportunities and may lead to resignation and/or retrenchment.

The FSU supports the submission put forward by the Australian Council of Trade Unions (ACTU) and welcomes the opportunity to provide input into this inquiry based on the experiences of our members.

If you would like further information on this submission, please contact Angela Budai, National Industrial Officer, by e-mail: Angela.Budai@fsunion.org.au.

¹ https://www.wgea.gov.au/sites/default/files/20160801_Industry_occupational_segregation_factsheet.pdf

2. FSU Comments

2.1 Changes to Childcare and Family Payments

The FSU welcomes the increased funding to early education and care. We support the reforms to the child care payment system and the targeting of funding to lower income families. FSU also supports the increase in the cap from \$7 500 to \$10 000 per annum.

2.1.1 Changes to the activity test and childcare assistance for low income families

The FSU has concerns about the disproportionate impact that the changes to the work test will have on low income families who have insecure, variable or unpredictable hours of work. The amount of Child Care Subsidy (CCS) that families are entitled to will vary from fortnight to fortnight, when one or both parents work irregular hours. This will heavily impact their ability to afford child care fees, week to week. Parents in insecure employment will be at risk of losing their child care place when they are temporarily out of the workforce and unable to pay the full cost of fees.

Recent developments in the type of working arrangements provided for in the banking, finance and insurance industry include trials of “flexible part time employees”². These employees are guaranteed a minimum number of hours over a 4-week cycle and can be adjusted with only 2 weeks notice. Under the proposed work test, it is possible that a “flexible part time employee” could work their minimum guaranteed hours over a 2-week period and have no hours in the following 2-weeks, which may mean that the worker does not meet the activity test for that particular fortnight.

In a January 2016 survey of FSU members on the “Jobs for Families Childcare Package”, an FSU member whose partner works variable hours indicated the difficulties she would face with balancing the family budget whilst receiving a variable Child Care Subsidy each fortnight,

“This may mean that I have to stay home and look after my daughter because child care will be unaffordable for my family”.

Another FSU member in our survey observed the stress of reporting variable hours,

² ANZ Enterprise Agreement 2015-2016 Clause 2.8 p16. Available at <http://www.fsunion.org.au/Upload/ANZ%20Enterprise%20Agreement%202015%20-%202016.pdf> viewed 1 March 2017

“Working families are already struggling to find a balance between what is best for our families and our economic stability. Further complicating the only entitlement we know we are eligible for does little to motivate return to work for stay at home caregivers. I’d be constantly worried about correctly reporting our hours and possible underpayments or overpayments of the Subsidy.”

The proposed activity test incorrectly assumes that part time staff work full days, when often this is not the case.

Part time staff in the finance industry have very little choice and control over their rostered hours and days of work. For example, a parent working 24 hours per week might prefer to work 3 full days to reduce their need for child care, but is instead employed to work a shorter number of hours each day across 5 days. This is a common occurrence in retail banking, where part time staff are often rostered to work 4 or 5 hours each day to cover the busy lunch period, without having to take an unpaid meal break themselves. As a result, part time staff can require child care arrangements on up to 5 days per week, even though they are not being paid for full days.

The proposed activity test also halves access to early childhood education and care (ECEC) for children from low income families that cannot meet the activity test. It is well established that access to quality ECEC is important for the healthy development of small children, with 15 hours per week being a developing international norm³. Under the new proposal, children from low income families will have access to up to 24 subsidised hours of care per fortnight, however, with child care providers overwhelmingly charging a daily rate, this equates to just 1 day of care per week (as opposed to the current 2 days provided per week). This means that children who stand to benefit the most from early childhood education and care will have insufficient access to support their early development.

Case Study: Kate, Part Time Customer Service Specialist, Major Bank

Kate works 24 hours per week, spread across 5 days, to meet the staffing needs of her busy branch. Her daughter attends long day care 4 days per week. The centre charges a daily fee of \$97, based on its operating hours of 7am-7pm. Regardless of how many hours Kate needs her daughter to be in child care, she is billed at the daily rate.

Under the proposed activity test, Kate will be entitled to just 72 subsidised hours per fortnight. This provides Kate with only 3 days of subsidised child care, even though she requires child care for 4 days each week, leaving Kate out of pocket \$194 each fortnight.

“If we lose the subsidy on that extra day, I’ll have to stop work because this just won’t work for us.”

³ Professor D. Brennan and E. Adamson ‘Baby Steps or Giant Strides?’ Report, The McKell Institute, June 2015 http://mckellinstitute.org.au/wp-content/uploads/2015/07/McKell_Childcare-Report.pdf

Case Study: Emily, Part Time Customer Service, Regional Bank

“My hours change week to week depending on the needs of the business. I usually work 3 days, so our child is in child care 3 days a week. My partner is self employed and hasn’t worked at all over the past few weeks. He will probably do 20 hours this week. He has a big job interstate coming up in a few weeks and will probably work around 84 hours per week for 3 weeks!

Will we be forced to pay more in child care whenever he is in between jobs? These changes are confusing and frustrating. Sounds like it won’t work at all for my family.”

Recommendation 1

The proposed activity test should be revised to properly address the child care needs of families where one or both parents have insecure or irregular patterns of work. This will encourage continued workforce participation of mothers and other carers and ensure that children whose parents are in insecure work do not have their access to vital ECEC diminished.

2.1.2 Funding the Childcare Package and Changes to Family Payments.

FSU is deeply concerned that the increased funding required for the increased investment in ECEC will come at great cost to low and middle income families via harsh cuts to both family tax benefits and paid parental leave.

Access to sufficient paid parental leave and support for low and middle income families and affordable high quality child care are all vital to support working families and to promote women’s ongoing participation in the workforce. We note that the funding measures proposed in the Act will have a disproportionate impact on women, which further undermines gender equality and women’s workforce participation. This is particularly true in the finance, banking and insurance industry that has a high proportion of women with access to employer funded paid parental leave (PPL) (only 26% of employers in our industry

offer no employer funded PPL⁴) as well as a gender pay gap of 30.8%, the highest by industry⁵. This area of concern is dealt with separately, below.

It is incredibly short sighted and inequitable to cut from two crucial areas of family support for low and middle income families to subsidise another crucial item for families, child care. Rather than targeting the assistance provided to struggling families, it is our view that the Government should instead take steps to secure funding by addressing corporate tax avoidance, capital gains and negative gearing exceptions, and generous superannuation concessions for high income earners.

The FSU supports the ACTU's position on measures relating to childcare and family payments outlined in their submission to this Inquiry.

Recommendation 2

Access to sufficient paid parental leave, family payments and affordable child care are all important issues for working families. The Government should adequately fund all three areas. Funding for the Jobs for Families (Child Care Package) should not be contingent on any cuts to family payments and paid parental leave.

Recommendation 3

All children should have access to quality early childhood education, irrespective of their parent's work participation. Every child in Australia should have access to at least 15 hours per week in accordance with international trends.

2.2 Changes to the Paid Parental Leave Scheme

The FSU made a detailed submission to the Committee with respect to the proposed changes to the Paid Parental Leave (PPL) scheme in December 2016. Those concerns remain relevant to this Bill and given the Committee had indicated it will take previous submissions into account we respond briefly in this paper to this proposal.

We are concerned that cuts to paid parental leave will:

- Prevent more women from spending critical time at home with their new babies;
- Lead to families facing financial duress at a particularly vulnerable point in time;

⁴ Workplace Gender Equality Agency (WGEA), Public Reports <https://www.wgea.gov.au/public-reports-0> Viewed 9 December 2016

⁵ WGEA Gender Pay Gap Statistics, February 2017. <https://www.wgea.gov.au/sites/default/files/gender-pay-gap-statistics.pdf>. Viewed 1 March 2017

- Adversely impact the health and welfare outcomes of new babies and mothers;
- Increase demand for child care for very young babies in a system that is already struggling to meet demand;
- Encourage some women to break from the workforce entirely when faced with the difficult decision to place a very young baby in child care in order to return to work.

We note that the Child Care Package does not address the shortage of places for children under 2, nor does it provide an additional subsidy for children under 2, despite many providers charging higher rates for infants. Demand for infant care will rise if the Government goes ahead with its planned cuts to paid parental leave, forcing mothers with very small babies back into the workforce much sooner.

The FSU is a strong supporter of paid parental leave and as a result, has secured some of the best private sector provisions in Australia on behalf of our members. While WGEA data shows a 30% gender pay gap in the finance, banking and insurance industry, it also shows that 75% of employers in the finance, banking and insurance industry provide some form of paid parental leave. While this does not make up for the enormous gender pay gap, it does provide primary carers (predominately women in our industry) the opportunity to maintain a family budget after the birth of a child. When combined with government-funded paid parental leave, many new parents in the finance, banking and insurance industry are able to meet the 26 weeks paid leave that is recommended by the World Health Organisation and others as the optimal period of paid leave in terms of child and maternal health.

The proposed changes are inconsistent with the objectives of the Act and the recommendations of the Productivity Commission concerning the structure of the Government funded scheme.

Please see our submission to the Committee regarding the Fairer Paid Parental Leave Bill 2016 for case studies and examples that outline the impact of cuts to paid parental leave on FSU members and their families.

Recommendation 4

The FSU recommends that the Committee reject the changes to the Paid Parental Leave scheme that has been working successfully as intended.

2.3 Changes to Welfare Payments

The FSU does not support measures that increase waiting periods for those who are often desperately in need of government support. This arbitrary increase to waiting period may force increasing numbers of ordinary people who are going through tough times into crisis.

The FSU supports the ACTU's position on this measure as outlined in their submission.

The FSU does not support closing the carbon tax compensation to new welfare recipients and does not support indexation freezes. These measures were put in place by the Gillard Labor Government to improve support to welfare recipients due to the implementation of a carbon price. It also recognised the inadequacy of welfare payments. While the Coalition Government has repealed the carbon tax there has not been a general lowering of prices as a result of the repeal of this legislation. In addition it is widely recognised that the Newstart allowance at just \$37.40 a day (less than half the minimum wage) is insufficient⁶. There are more equitable ways to fund these measures than targeting the most vulnerable members of the community.

The FSU supports the ACTU's submission with respect to these measures:

- Pensioner education supplement/Education entry payment
- Age requirement for various Commonwealth payments
- Automation of income stream review processes
- Proportional payment of pensions outside Australia/Stopping the payment of the pension supplement after six weeks overseas
- Seasonal horticultural work income exemption.

3. Summary of Recommendations

The FSU makes the following recommendations:

1. The proposed activity test should be revised to properly address the child care needs of families where one or both parents have insecure or irregular patterns of work. This will encourage continued workforce participation of mothers and other carers and ensure that children whose parents are in insecure work do not have their access to vital ECEC diminished.
2. Access to sufficient paid parental leave, family payments and affordable child care are all important issues for working families. The Government should adequately fund all three areas. Funding for the Jobs for Families (Child Care Package) should not be contingent on any cuts to family payments and paid parental leave.
3. All children should have access to quality early childhood education, irrespective of their parent's work participation. Every child in Australia should have access to at least 15 hours per week in accordance with international trends.
4. The FSU recommends that the Committee reject the changes to the Paid Parental Leave scheme that has been working successfully as intended.

⁶ James Bullen "Welfare groups call on party leaders to retain carbon tax compensation 'energy supplement'". ABC News Online 22 August 2016. Available at <http://www.abc.net.au/news/2016-08-22/acoss-appeals-for-federal-government-to-keep-carbon-tax-payment/7771458> Viewed 1 March 2017

4. For Further Information

For further information, please contact Angela Budai - National Industrial Officer via email:
Angela.Budai@fsunion.org.au.

Yours faithfully



Julia Angrisano
National Secretary
Finance Sector Union of Australia

A large graphic consisting of a stylized, multi-faceted geometric shape on the left, composed of various shades of green and yellow. To its right, the words "OUR JOBS" and "OUR FUTURE" are written in a large, bold, dark green, sans-serif font, stacked vertically.