



RESPONSE TO
SENATE INQUIRY INTO
THE SOCIAL SERVICES
LEGISLATION AMENDMENT
(OMNIBUS SAVINGS &
CHILDCARE REFORM) BILL 2017





Australian Childcare Alliance

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Background and Overview

Australian Childcare Alliance (ACA) would like to thank the Standing Committee On Community Affairs ('the Committee') for the invitation to respond to this Senate Inquiry.

As the national peak body in the Australian Early Childhood Education and Care (ECEC) sector, Australian Childcare Alliance (ACA) represents more than 2,500 members and approximately 360,000 families throughout Australia, we welcome this opportunity.

We work on behalf of long day care service owners and operators, predominantly private, to ensure families have an opportunity to access affordable, quality ECEC throughout Australia.

Our sector, which includes a collection of other peak and large group bodies, is unanimous in the view that it is critical to get these renewed policy settings right. We believe that the the Jobs for Families (JfF) Bill, with our recommended amendments, is a crucial investment by government, to ensure all Australian families have access to affordable, high quality ECEC services.

ACA understands the fiscal environment and subsequent need for constraints and funding adjustments. However we will always advocate for the best start in life for our children: they are the future of Australia. Scores of evidence¹ speaks to the importance and impressive benefit of quality early education.

Children who enjoy quality ECEC are likely to be well socialised, confident, inquisitive about the world, accepting of diversity, resilient to manage challenges and also to be life-long learners.

For governments, an investment in early learning is fundamental to the future economic success of the nation; it increases availability of skilled workers across almost all industries by allowing more parents, particularly mothers, to re-enter the workforce and hence boost the productivity of the entire economy.

We welcome and support the government's plan for increased investment through the Jobs for Families package, and we believe that overall the package provides positive financial outcomes for families. However there are areas that will have an adverse effect on low and middle income families. We need to ensure that no child is left behind in their crucial early years and that we provide them with sound educational, social and emotional strength for them to reap the benefits into the future.

ACA offers solutions to ensure that no child is left behind in this submission.

ACA has been actively involved in deliberations and negotiations on this package and have combined with others in the sector to ensure that we have a combined and well considered position on proposed changes that will benefit children, families, the sector and government.

¹ https://www.ioe.ac.uk/RB_Final_Report_3-7.pdf
<http://www.pc.gov.au/inquiries/completed/childcare/report/childcare-overview.pdf>
<https://pwc.docalytics.com/v/putting-value-on-ecec>
<http://www.abc.net.au/news/2016-02-04/child-care-changes-could-boost-economy-by-3b-modelling-shows/7138248>

Please also refer to the combined submission to his Inquiry from the key group of ECEC sector representatives, including the Australian Childcare Alliance, Early Childhood Australia, Early Learning and Childcare Council of Australia and Goodstart.

At the present time, families are struggling under the pressure of costs associated with their return to work whilst having young children. Freezes for 9 years on the Child Care Rebate combined with the implementation of a high quality regulatory framework have been the primary causes of the current affordability concerns.

We therefore urge government to address the plight of these families by ensuring that this well overdue Jobs for Families Bill comes to fruition with the changes put forward in this submission.

What are the positives?

Increased investment to support working families

ACA welcomes the additional investment and remains committed to working with government to ensure that the best possible outcomes for all children are achieved. The significant additional investment in the Jobs for Families Bill is positive recognition by government of the value of the ECEC sector and the role it plays in assisting parents and other primary carers to maintain workforce participation. ACA notes, however, that that change in projected cost of the Jobs for Families due to the crackdown on roting, primarily in FDC and the change in forward estimates released in the Mid-Year Economic and Fiscal Outlook (MYEFO) in December 2016 mean that this additional investment is less than half of what was originally expected.

The Child Care Subsidy hourly rate cap is a sound subsidy for implementation of this package from 2018 onwards, provided there are regular reviews of the rate cap; taking into consideration not only the Consumer Price Index (CPI) increase, but also other third party imposts such as service provider costs brought about by reform, annual wage increases and government regulatory requirements. The erosion in value of the current Child Care Benefit (CCB) subsidy is a classic example of the devaluation of a subsidy reliant only on CPI.

Significantly Increased support for low and middle income working families accessing ECEC

Average assistance for low income working families who meet the activity test will rise from around 74% of fees to 85%. There is encouragement for low income working families participating in the workforce to increase by approximately 25% as the threshold will lift from around \$46,000 to \$65,710. Middle income working families on two incomes will benefit financially with the increased hourly subsidy rate. High income working families on incomes over \$340,000 will receive a reduction in subsidy from 50% of fees to 20% of fees.

A move to a single payment subsidy reducing complexity for families

ACA supports the broad thrust of the reform model that will streamline current subsidies.

The proposed model combines multiple childcare assistance payments into a single, means tested payment. The current system is cumbersome and difficult for families to understand and navigate when entering the workforce and seeking early childhood education and care arrangements.

Increased funding for children with additional needs and children at risk

The Child Care Safety Net program will provide approximately 20% additional funding for children with additional needs and ACA welcomes the additional safety net for children from disadvantaged and vulnerable backgrounds.

What are the challenges?

Decreased access for a child whose families fail the activity test (24 hrs down to 12 hrs)

Families in the lowest income bracket, earning less than \$65,710 gross per annum will have their base hours of subsidised access cut from 24 hours per week to just 12 hours. This reduction will have unintended negative consequences for the quality early learning outcomes for some of Australia's most disadvantaged children.

ACA questions whether the substantial increase in spending is efficiently targeting the balance of affordability for families and the globally recognised research². It appears that the government has selected 24 hours per fortnight purely as a cost saving measure rather than based on sound research.

Family income over \$65,710 and one parent fails the activity test will receive NO subsidised care

Under the proposed funding model, a parent whose income exceeds \$65,710 experiences the "cliff" effect whereby their funding immediately ceases as they have exceeded the first level of the proposed 24 hours per fortnight subsidy.

We ask that the Committee consider the impact of this on the child, their educational outcomes and the social disruption it will cause.

² <http://heckmanequation.org/content/4-big-benefits-investing-early-childhood-development>

An activity test that requires broadening and clarification to support families return to the workforce

The intent of the proposed Jobs for Families package is to strongly align workforce participation with children's subsidised hours in early childhood education and care. The unfortunate consequence of the proposed package is that some children will miss out on the benefits of an ECEC program and become ineligible for subsidised programs. This increases the risk of these children not being fully prepared to enter the formal schooling system and lower literacy levels perpetuating into the future.

No financial relief for families until 1st July, 2018

ACA acknowledges that parents are struggling with the costs of ECEC for their children. Since the 2012 introduction of the NQF; the Federal Government has continued to freeze subsidy indexation to families resulting in families bearing the full cost of the implementation of government legislative change through the NQF.

Failure to support a sudden change in a families workforce participation

Families under the proposed activity test guidelines who experience a sudden or unforeseen change to employment could immediately be faced with a reduction of hours whilst they seek to regain their current workforce participation level.

What improvements will produce better outcomes for families and children?

Increase access for children of families who fail the activity test from 12 hours to 15 hours per week up to an income of \$100,000

ACA understands the current fiscal climate for government. However it is clear that the research substantiates our recommendation that all children in this category, regardless of their parents' workforce participation and/or adherence to the activity test, should have access to at least 30 hours of subsidised early childhood education and care per fortnight.

It should be noted that this is a minimum requirement in the context of this package, and does not remove the ECEC sector view that two full days per week of access to ECEC is the most beneficial to guarantee better developmental outcomes for children.

ACA Recommendation: That all children of parents earning an income up to \$100,000 be eligible for a minimum level of subsidised access of 30 hours per fortnight to early childhood education and care, regardless of their parents' ability to meet the activity test. 15 hours per week aligns with the current funding model under the National Partnership agreement for preschool aged children.

ACA Recommendation: Increase the income threshold before the activity test commences from \$65,710 with a taper to \$100,000.

Broadening and clarifying the parameters of the activity test to make it more accessible for families wishing to return to work

ACA's concern is for children (Family income over \$65,710 and one parent fails to meet the activity test) who will be subsidised to attend a service for two days each week until the implementation of the Jobs for Families package and their parents will receive no subsidy. In most cases the children will be withdrawn from their early education and care program and in turn from vital socialisation opportunities with their peers.

In communities, particularly in regional, rural and remote areas where a child is not provided regular opportunities to socialise or be exposed to other children due to the demographics, the child may not be considered "vulnerable or disadvantaged". Children in this situation are likely to have increased challenges when starting school due to their lack of socialisation and interaction with their peers.

A complete understanding of the administrative impact is still unclear in the absence of Ministerial Determinations. ACA urgently requests that these draft determinations, including definitions of volunteering activity and relevant time frames for specific policy areas, are released.

ACA Recommendation: That all children at threat of exclusion under the Jobs for Families package, when parents have an income up to \$100,000 and fail to meet the activity test, be eligible for a minimum level of access of 30 hours per fortnight to an early childhood program. ACA believes that in broadening the activity test it will be more accessible to families wishing to return to the workforce.

Provide a six week transition period for families who have a change in their circumstances

ACA requests that a transition period be introduced to ensure that families whose circumstances change due to either losing employment or a reduction in hours. This will allow families to effectively transition to an alternative employment whilst maintaining their current eligibility of CCS for the period of six weeks without penalty during what could be a traumatic time.

ACA Recommendation: That an activity test exemption provide a six week transition period for families who have a change in their activity or their income which would mean they have a reduction in their hours of subsidised care

Improve access for ATSI children

ACA recommends further discussion with peak bodies and specifically with the Secretariat of National Aboriginal and Islander Child Care (SNAICC) to ensure adequate Community Support and Sustainability Support is quarantined for remote Indigenous services where there are no other early childhood services available for that community. This needs to take into account consideration of ongoing rather than short term support.

Whilst ACA suggests recommendations to better support Aboriginal and Torres Strait Islander (ATSI) children, these are not intended to deflect from the SNAICC submission on these topics.

ACA Recommendations: Establish a specialised Aboriginal and Torres Strait Islander (ATSI) program to top up funding from Child Care Subsidy and fees to ensure viability of Indigenous services situated in particularly impoverished communities.

Provide all FTB-A eligible children who are identified as Aboriginal and Torres Strait Islander with access to 22.5 hours of CCS per week to facilitate access to three days of early learning

Continue to enhance and build on existing funded measures to ensure program guidelines support as many children as possible.

Instigate a comprehensive review of the Child Care Subsidy after two years to test affordability and accessibility

ACA notes that the legislation provides for indexation of the lower income threshold for the Child Care Subsidy (CCS), the CCS hourly rate caps and the annual cap for CCS. However, it does not appear that there are any provisions for the CCS to be reviewed. As outlined in Recommendation 17.4 of the Productivity Commission's Inquiry into Childcare and Early Childhood Learning³, it is important that the operation of the new funding system and regulatory requirements be reviewed. In the case of the new subsidy, the Productivity Commission recommended that the subsidy should be reviewed within two years. ACA recommends that the legislation include a built-in assurance that the CCS be reviewed after an initial two year implementation period and then recurrent every fifth year to ensure that devaluation of the subsidy does not erode the assistance to families as has occurred with the Child Care Benefit.

ACA Recommendation: That a legislated review of the Child Care Subsidy takes place after two years to test affordability and accessibility.

Injection of funds immediately to assist affordability for families prior to 1/7/2018

ACA acknowledges that parents are currently struggling with the costs of ECEC for their children. This is also affecting workforce participation as parents reduce days rather than lose all funding due to the \$7,500 cap on Child Care Rebate expiring after around 9 – 10th months in each year. Since the 2012 introduction of the NQF; the Federal Government has

³ <http://www.pc.gov.au/inquiries/completed/childcare#report>

continued to freeze subsidy indexation to families resulting in families bearing the full cost of the implementation of government legislative change through the NQF.

ACA Recommendation: That immediate financial support is considered for families who have carried the burden of NQF implementation combined with the freeze on CCB and CCR.

Ensuring the roll out of this much needed reform is not delayed

With the significant reduction over forward estimates of the cost of the package since the previous inquiry, it is now more than ever vital that these reforms are implemented regardless of its interaction with other savings measures or legislation. With a reduction in the additional investment to \$1.6 billion achieved through a range of compliance measures, adjustments in forward estimates in the December 2016 MYEFO statement and already achieved savings to Family Tax Benefit Part A in 2016 as well as the benefits of increased workforce participation showing that the investment will deliver a net fiscal gain to the budget within 5 years⁴, the argument is irrefutable that a decision to endorse the package is not only a positive outcome for children and families, but also a positive investment for the government.

ACA Recommendation: That the implementation of this much needed support is not delayed by its interaction with any other legislation

⁴ PWC 2016 Economic Impacts of the Proposed Child Care Subsidy
<https://www.goodstart.org.au/Goodstart/media/MediaCentre/PwC-final-report.pdf>
⁴<http://www.oecd.org/eco/growth/going-for-growth-2016-australia.htm>