



# Federal Budget 2021–22

## Summary

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### About us

Early Childhood Australia (ECA) is the peak advocacy body for children from birth to eight years, their families and early childhood professionals.

ECA is a not-for-profit organisation that has been a voice for children since 1938. We have a federated structure with branches in every state and territory in Australia; our National Office is in Canberra. Our vision is that every young child is thriving and learning. To achieve this, we champion the rights of young children to thrive and learn at home, in the community, within early learning settings and through the early years of school.

Our work builds the capacity of our society and the early childhood sector to realise the potential of every child during the critical early years from birth to the age of eight. ECA specifically acknowledges the rights of Aboriginal and Torres Strait Islander children and their families, and the past and current injustices and realities for them around Australia.

For more information visit: [www.earlychildhoodaustralia.org.au](http://www.earlychildhoodaustralia.org.au) or email [eca@earlychildhood.org.au](mailto:eca@earlychildhood.org.au)



## Overview

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Early Childhood Australia (ECA) welcomes the measures for early childhood education and care (ECEC) announced in the Federal Budget 2021–22.

ECA has been advocating for access to and affordability of ECEC as a budget priority along with a range of advocates including the Business Council of Australia, Thrive by Five, the Australian Council of Social Services (ACOSS) and others. As evidenced in many of this year's pre-budget submissions, consensus has been building among economists, workforce experts and education leaders in support of increased investment in early education to benefit children, women and Australia's economic recovery from COVID-19.

ECA welcomes the measures to increase the Child Care Subsidy (CCS) rate for families with multiple children and remove the annual cap. These measures are a step in the right direction, however further investment is needed to extend affordability to more families and address workforce issues.

ECA is disappointed that the CCS measures announced on 2 May 2021 do not take effect until 1 July 2022, and is concerned that the already complex CCS system will be made more complex by the measures.

ECA remains concerned about rising childcare fees across Australia and urges the government to monitor and respond to this trend. Productivity Commission data, released in February 2021, shows that childcare fees rose by 5.6% to a national median of \$523 per week between 2002 and 2019.

ECA welcomes the Commonwealth's commitment to the National Partnership Agreement on Universal Access to Early Childhood Education and Care, which funds 15 hours per week of preschool education for all children in the year before school. The \$2 billion commitment provides for ongoing funding for preschools through a four-year Strategic Reform Agreement.

A key issue for the sector is the current shortage of qualified educators and early childhood teachers across Australia. Research conducted by ACECQA predicts workforce demand will increase by 20%, with the sector requiring an additional 39,000 educators by May 2023. It is projected that the number of educators and teachers needed will increase substantially up until 2024.

Urgent government action is required to develop fast and effective strategies to attract, train and retain high-quality educators and teachers.

The Budget did not address workforce issues for the early childhood sector.

Further systemic reform is needed to address other critical issues, including the need to ensure low-income families and vulnerable children have access to quality early learning and fully realise the benefits of early learning for all Australian children.



Ahead of the 2021–22 Federal Budget, ECA presented the Government with a detailed list of priorities for investment in ECEC. The recommendations included:

- Increase the Child Care Subsidy (CCS) to a maximum of 95% for low-income families, tapering down to 30% for high-income families, to improve the affordability of early childhood education and care.
- Review the activity test.
- Increase funding for children with disability and additional needs in ECEC services, to match increased demand.
- Provide additional funding to Aboriginal and Torres Strait Islander community-controlled early learning and family-support services.
- Commit to a five-year National Partnership Agreement on Universal Access to Early Childhood Education with state and territory governments.
- Fund ECA to lead a consultation process to inform the review of the Approved Learning Frameworks commissioned by the Council of Australian Governments (COAG) Education Council.
- Fund ECA to engage with qualified early childhood educators and teachers working in other roles or careers to inform retention and re-engagement strategies.
- Fund an in-depth review and scoping of access to quality ECEC care in rural and regional areas.
- Support early childhood educators to access and engage in the Be You initiative, which promotes mental health from the early years to adulthood.
- Fund ECA to enhance professional development in trauma-informed care and practice and expand access for early childhood educators.



## General economic outlook

### Why does this matter?

- The Child Care Subsidy is linked to the Consumer Price Index.
- Wage–price growth is usually higher than inflation, and wages make up a high proportion (60–70%) of the costs of delivering early childhood services.
- Economic growth affects the early childhood market, including the demand for early childhood services.
- Early childhood education and care services contribute to productivity growth through workforce participation and human capital development.

**Table 1.2: Major economic parameters<sup>(a)</sup>**

	Outcome		Forecasts			
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Real GDP	-0.2	1 1/4	4 1/4	2 1/2	2 1/4	2 1/2
Employment	-4.2	6 1/2	1	1	1 1/4	1 1/4
Unemployment rate	6.9	5 1/2	5	4 3/4	4 1/2	4 1/2
Consumer price index	-0.3	3 1/2	1 3/4	2 1/4	2 1/2	2 1/2
Wage price index	1.8	1 1/4	1 1/2	2 1/4	2 1/2	2 3/4
Nominal GDP	1.7	3 3/4	3 1/2	2	4 3/4	5

(a) Real GDP and Nominal GDP are percentage change on preceding year. The consumer price index, employment, and the wage price index are through-the-year growth to the June quarter. The unemployment rate is the rate for the June quarter.

Source: ABS Australian National Accounts: National Income, Expenditure and Product; Labour Force, Australia; Wage Price Index, Australia; Consumer Price Index, Australia and Treasury.

Source: Federal Budget Paper 2, 2021–22, p. 9.



## Education, Skills and Employment portfolio

### Child Care Subsidy Spending

#### Program expenses 1.2 Child Care Subsidy

	2020-21 Estimated actual \$'000	2021-22 Budget \$'000	2022-23 Forward estimate \$'000	2023-24 Forward estimate \$'000	2024-25 Forward estimate \$'000
Special appropriations:					
<i>A New Tax System (Family Assistance) (Administration) Act 1999 (a) (b)</i>	8,968,183	9,491,616	10,644,486	11,180,039	11,969,947
<b>Total program expenses</b>	<b>8,968,183</b>	<b>9,491,616</b>	<b>10,644,486</b>	<b>11,180,039</b>	<b>11,969,947</b>

(a) From 1 July 2021, the ACCS is reported under the CCS following administrative changes to improve the way ACCS is administered, resulting from the 2021–22 Budget measure: *Commonwealth's Deregulation Agenda*.

(b) Legacy programs Child Care Benefit and Child Care Rebate are reported under the CCS.

#### Child Care Subsidy changes

The Australian Government announced an additional \$1.7 billion investment in early education and care over the next five years and \$671.2 million per year ongoing to assist families by reducing out of pocket costs and supporting parental choice through increasing the Child Care Subsidy (CCS) rate by 30 percentage points for the second child and subsequent children aged five years and under in care, up to a maximum CCS rate of 95% for these children, commencing on 11 July 2022; and removing the CCS annual cap of \$10,560 per child per year commencing on 1 July 2022

The announcement has two key measures, both of which are proposed to take effect from 1 July 2022 and only apply to children under the age of 6 years of age.

##### 1. Increased subsidy for families with multiple children

This measure applies to a family's Child Care Subsidy (CCS) if they:

- earn under \$353,680 (2020–21); and
- have more than one child aged under 6 years using a CCS-approved service.

For these families, the CCS will increase by 30% for their second and each subsequent child aged under 6 years using a CCS-approved service. The maximum CCS will be capped at 95%.

Example:

*Tony and Rachana's joint income is around \$235,000. Their two children, aged 1 and 4, attend a local early learning service. Their CCS rate is currently 50%.*

*The new CCS rates will add an additional 30% to Tony and Rachana's CCS rate because they have two children aged under 6 years attending a CCS-approved early learning service. From 1 July 2022, their CCS rate will increase from 50% to 80%.*



## 2. Removing the annual cap

Currently, families earning more than \$189,390 have an annual subsidy cap of \$10,560 per child each financial year. This means each child's fees are subsidised by up to \$10,560 per annum.

When the annual subsidy cap is reached, families must pay the full fees for their children's attendance at a CCS-approved service until the end of the financial year.

From 1 July 2022, the annual cap will be removed. This means that the approved CCS rate will continue for the full financial year but only for around 18,000 families.

### **ECA analysis of Child Care Subsidy changes**

ECA is disappointed that the announced measures will not take effect until 1 July 2022. Many families currently using CCS-approved services will not benefit from the measures.

The measures apply to children aged under 6 years in CCS-approved early education services and excludes in-home care services. ECA recommends some flexibility for children aged 6 years and over who may be using CCS-approved early education services.

Many families will see no benefit because the measures are not planned to take effect until 1 July 2022. There are almost 1 million families using CCS-approved services, yet the government has stated this package will only help 250,000 families.

The increased Child Care Subsidy for additional children will add complexity to an already complex system. ECA strongly encourages the Australian Government to ensure families and providers are well informed about the changes prior to implementation on 1 July 2022.

## **National Partnership on Universal Access to Early Childhood Education**

### **Universal access to early childhood education**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2020-21	138.0	130.2	83.1	46.5	28.7	9.9	9.6	4.7	450.6
2021-22	98.6	90.0	59.5	32.5	19.8	6.9	6.8	3.3	317.2
2022-23	-	-	-	-	-	-	-	-	-
2023-24	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>236.5</b>	<b>220.2</b>	<b>142.6</b>	<b>79.0</b>	<b>48.5</b>	<b>16.8</b>	<b>16.4</b>	<b>8.0</b>	<b>767.8</b>

The Australian Government is supporting preschool participation for all Australian children in the year before full time school for 600 hours per year, or 15 hours per week. The \$2 billion funding is designed to top up arrangements states already have in place for preschool provision. The funding supports increased participation for Indigenous and disadvantaged children, and also aims to ensure national consistency in terms of quality and the availability of hours per week.



In addition to the above, which reflects the current agreement with the states, the Australian Government will provide \$1.6 billion over four years from 2021–22 and then \$589.0 million per year (indexed), to make an ongoing Commonwealth funding contribution to preschool. The first four years of funding, covering the 2022–2025 preschool years, will be delivered through a new four-year funding agreement to be negotiated with states. The new agreement will support continued universal access to at least 15 hours of preschool each week (600 hours per year) for children in the year before they start school.

Funding will be contingent on the states and territories agreeing to a robust reform timeline focused on increasing participation and school readiness. From 2023 this will include ensuring that every child enrolled in an approved preschool program will see the full benefit of Commonwealth funding (around \$1,340 per child in 2022) regardless of the preschool setting. From 2024 payments to states and territories will be tied to attendance targets. A preschool outcomes measure will be developed and trialled for introduction in 2025.

The measure also includes \$33.6 million over five years from 2021 22 (and \$2.0 million per year ongoing) to improve preschool data collection and underpin a new preschool framework to support the reform. This includes funding to:

- continue undertaking the annual National Early Childhood Education and Care Collection (NECECC) from early 2023
- improve and expand the NECECC to underpin a performance framework to drive reform, with a focus on attendance
- develop and trial a method for testing the degree to which preschools achieve the outcome of getting children school ready.

### **ECA analysis of National Partnership on Universal Access to Early Childhood Education changes**

ECA welcomes the commitment of \$2 billion in ongoing funding for preschools through a four-year Strategic Reform Agreement. ECA has consistently asked the Government to provide longer-term funding for preschool providers to ensure every child receives at least 15 hours a week of early learning in the year before school. ECA would like to see this extended to younger children, in line with international best practice.



Key features of the new funding:

- It is contingent on increasing participation, therefore children's attendance will be a focus.
- It supports a child enrolled in an approved preschool program, regardless of the preschool setting (from 2023).
- It supports enhancement of data collection.
- It supports increased participation and outcomes for vulnerable and disadvantaged children.
- A preschool outcomes measure will be developed and trialled for introduction in 2025.

The new funding requirements have the potential to undermine models of fully funded, free preschool available in some states and territories. We would like to see a more collaborative approach to supporting the models that are working best, particularly for vulnerable and disadvantaged children.

ECA acknowledges the benefits of measuring children's development to demonstrate the benefits of high-quality preschool programs, but also recognises many in the sector will be concerned about the language of 'school readiness' and how outcomes can be measured authentically. ECA will seek to work with governments to ensure the outcome measure is holistic and appropriate to early years pedagogy.

## **Other relevant Education budget announcements**

### Streamlining the Child Care system

- \$16.9 million over four years from 2021–22 (and \$0.6 million per year ongoing) to streamline the child care regulatory system by:
  - building a single government website to better inform families' choice of care and reduce the administrative burden on providers and families that can arise from changes in Child Care Subsidy eligibility
  - piloting a system of joint monitoring, data sharing, and compliance operations with two state jurisdictions. This will target high-risk child care providers and step up efforts to prevent and detect fraud within the child care system without increasing the impost on services that strive to do the right thing.

ECA supports a single government website that combines Starting Blocks and Child Care Finder but is concerned about the timeframe to build the website.

### Initial Teacher Education Students

- \$4 million over four years from 2021–22 (and \$1 million per year ongoing) to continue and expand the Literacy and Numeracy Test for Initial Teacher Education Students, to assist aspiring students to make informed decisions about their suitability to become teachers.

ECA supports continuation of the test to support better outcomes for teacher education students.

### JobTrainer



- The Government will provide \$506.3 million over two years from 2021–22 to extend the JobTrainer Fund. This includes an additional \$500 million in funding for the National Partnership Agreement on the JobTrainer Fund, to be matched by contributions from the states and territories, to deliver around 163,000 additional low fee and free training places in areas of skills need, including 33,800 additional training places to support aged care skills needs and 10,000 places for digital skills courses. Eligibility for the Fund will be expanded to include selected employed cohorts that are continuing to be affected by COVID-19. This measure also includes \$6.3 million for a campaign to encourage take-up of training opportunities.

ECA notes that JobTrainer includes early childhood education and care Certificate III and Diploma qualifications, but would like to see the varying costs and eligibility requirements across States and Territories addressed to provide national consistency.

## Other portfolio areas

### Social Services

#### **A National Early Childhood Program for Children with Disability or Developmental Concerns**

Payments (\$m)

	2020-21	2021-22	2022-23	2023-24	2024-25
Department of Social Services	-	0.1	..	..	..

The Government will provide \$17.9 million over four years from 2021-22 to establish a new Early Childhood Program. The program will deliver a range of disability-specific information, workshops and supported playgroups for young children aged 0 to 8 years with disability or developmental needs.

The cost of this measure will be partially met from existing funding within the Social Services portfolio.

Source: Federal Budget Paper 2, 2021–22, p. 178.

### Health

#### **Mental Health**

The Government announced a range of funding for mental health including:

- \$54.2 million over four years from 2021–22 to work with the states and territories to establish child mental health and wellbeing hubs to provide multidisciplinary care and preventive services
- \$46.6 million over four years from 2021–22 for parenting education and support to parents and carers with children aged under 12 years and to develop national guidelines to assist with early identification of emerging emotional difficulties



- \$9.2 million over four years from 2021–22 to measure the prevalence of mental health in the Aboriginal and Torres Strait Islander population.
- \$13.6 million for a longitudinal child mental health and wellbeing study.

ECA supports these measures to support mental health and wellbeing of Australian children aged up to 12 years and to provide support to parents.

### **National Indigenous Australians Agency**

We are also pleased to see the establishment of an Aboriginal and Torres Strait Islander Advisory Council, but were expecting to see significant investment for the Aboriginal and Torres Strait Islander Early Years Strategy and hope this will be properly addressed.

ECA supports the call from Aboriginal and Torres Strait Islander community controlled organisations for a long-term, secure approach to funding early years education and parenting support programs.

We will continue to advocate for the expansion of Be You and support early childhood services to participate.

## **Conclusion**

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ECA welcomes the Budget announcements made for early childhood education and care (ECEC) which lay foundations for improvement in the ECEC sector. There is much more to be done, however, for Australia to have a world-class system that delivers high-quality early education to every young child, in every community, at an affordable cost for every family.

For Australia to reach its potential in early childhood education, ECA believes investment is needed to ensure:

- all three-year-old children have access to a quality preschool program for two years before they transition to school, regardless of parental workforce activity
- all families can access affordable early learning for their children
- sufficient numbers of qualified educators and teachers in the early childhood workforce nationwide.

ECA will continue to work with Members to advocate for more investment and policy improvements.

Relevant documents:

[ECA Media Release](#) – 11 May 2021

[ECA Pre-Budget Submission](#) – January 2021

Visit ECA's Twitter and Facebook accounts for more.