



MEDIA RELEASE

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Key changes still needed to ensure childcare subsidy reform delivers benefits for vulnerable children

The *Social Services Amendment Bill* tabled in parliament today covers Childcare Reforms, Family Tax Benefit changes and Paid Parental Leave.

Early Childhood Australia (ECA) continues to support the Government's proposed childcare subsidy reform to bring much needed relief to families but seeks a commitment on key changes that will strengthen the safety net for vulnerable children.

"The *Jobs for Families* package will reduce the cost of childcare for the majority of low and middle income families who have regular work. For example, low income families with \$60,000 or less in household income per year will pay around \$15 a day for long day care, significantly less than they are paying now.

"The childcare subsidy reform will also remove the \$7,500 per annum cap on the child care rebate, which will bring welcome relief to the growing number of families who reach this cap well before the financial year ends.

"While these changes are welcome, ECA has consistently raised concerns about the way the Activity Test will work," said Samantha Page. "For those families with one partner unemployed or in sporadic work, we need the government to provide a stronger safety net."

"As currently presented, the new childcare subsidy will only provide 12 hours of subsidy for families earning less than \$65,710 per annum when one or both parents are unable to meet the activity test. This is too low to provide children with stable access and support families through fluctuations in work or other forms of activity," said Ms Page.

ECA together with other networks have called for changes to the package to:

1. Increase the base entitlement from 12 to 15 hours of subsidy, and raise the income threshold for the base entitlement from \$65,710 to \$100,000;
2. Provide an increased base entitlement of 22.5 hours for Aboriginal and Torres Strait Islander Children and a specialised Aboriginal and Torres Strait Islander program to support otherwise unviable services;
3. Ensure the activity test and subsidy approval processes are sufficiently flexible to accommodate the complex needs of families.

While 15 hrs per week doesn't easily fit with current billing practices for long day care, the new subsidy arrangements provide the opportunity for more flexibility and will typically cover a higher proportion of the cost. It is consistent with the Universal Preschools agreement and the solid body of research that demonstrates this is the minimum amount of early learning that benefits children.

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“We will be seeking to work with the sector to ensure that families will be able to afford two days a week of early learning if our proposed changes are adopted,” said Ms Page.

While supporting the Government’s direction on childcare subsidy reform, ECA does not support cuts to Family Tax Benefit that will reduce income to low income families. While there has been some concession on harsher cuts, we still believe that any cut to low income families is unnecessary and undesirable.

“One in six children in Australia (or 17%) are experiencing poverty – this means that they regularly go without things that they need to thrive. These cuts are unnecessary, over \$3billion has already been cut from Family Tax Benefit by reducing payments to higher income families and that is sufficient to cover the increased investment in early learning proposed in the *Jobs for Families Package*,” said Ms Page.

The proposed changes to *Paid Parental Leave* are also problematic. Increasing government subsidies from 18 weeks to 20 weeks will benefit families with little or no access to employer subsidized paid parental leave. However, taking away the option to combine government subsidies and employer sponsored leave schemes is likely to reduce the time that many parents can afford to stay at home with a new baby.

“As a nation, we should be working to extend paid parental leave to 26 weeks as recommended by the World Health Organisation because this has long term health and mental health benefits for children and adults¹,” said Ms Page.

“It is unfortunate that savings measures are being linked to increased investment in early learning when there have already been significant budget savings this area (2016 FTB cuts, fraud reduction, indexation freezes) and the early learning investment will pay for itself within a few years through increased workforce participation²,” concluded Ms Page.

Early Childhood Australia is the peak advocacy body for children under eight, their families and early childhood professionals

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¹ World Health Organisation, Global Nutrition Targets 2025 Breastfeeding Policy Brief, p.2.
http://apps.who.int/iris/bitstream/10665/149022/1/WHO_NMH_NHD_14.7_eng.pdf?ua=1

² PWC Economic Impacts of the Proposed Childcare Subsidy <https://www.goodstart.org.au/getattachment/news-and-advice/What-will-the-changes-proposed-by-the-Federal-Gove/PwC-final-report.pdf.aspx?lang=en-AU>