



Early Childhood Australia
A voice for young children

**OUR
VISION:
EVERY
YOUNG
CHILD IS
THRIVING
AND
LEARNING**

Senate Standing Committee on Education and Employment

Early Childhood Australia Submission
October 2022

About us

Early Childhood Australia (ECA) is a not-for-profit, membership-based organisation that was first incorporated in 1938. We work at both the national and local level, with active State and Territory Committees in each Australian jurisdiction and a National Board of Directors. Our membership includes early childhood professionals, services, schools and organisations that share a commitment to the rights and wellbeing of young children.

Our vision is *every young child 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 particularly 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.

Find out more at: www.earlychildhoodaustralia.org.au

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Acknowledgement of Country

Early Childhood Australia acknowledges the Traditional Custodians of Country throughout Australia and their continuing connection to land and community. We pay our respect to them and their cultures, and to the Elders both past and present.

ECA welcomes this opportunity to contribute to the Standing Committee on Education and Employment through this submission. Below we outline key issues and recommendations in response to proposed Family Assistance Legislation Amendment Bill 2022.

Changes to the child care subsidy

ECA are supportive of the proposed changes to increase rates of the Child Care Subsidy (Family Assistance Legislation Amendment Bill 2022) to improve affordability and longer term to implement a 90% funded universal system in line with the Government's commitments. ECA welcome them as initial steps towards longer-term measures to support universal access to early childhood education and care. We note that the additional changes increase the complexity of the system – making the task of understanding the subsidy system and estimating eligibility a difficult one for families. It will be important that the changes are well communicated so that this complexity does not act as a barrier for access.

The recent review of the government's Child Care Package^[1] revealed the package has limited impact on improving affordability of ECEC and has "not been effective, to date, in reducing increases in child care fees". The report further notes that many families are accessing high levels of unsubsidised hours in ECEC. Concerningly, vulnerable groups are disproportionately represented in groups with eligibility to fewer hours of subsidised ECEC (24 and 36 hours per fortnight)¹

The current configuration of the system has consequences for families, particularly for women. The employment rate for partnered mothers whose youngest child was under five years was 63% in 2019, and for single mothers with the youngest child of the same age², it was 39%. The cost of ECEC presents a significant challenge for families – the cost is estimated to be 23% of a couple's average wage³—in 2021, the median weekly cost of 50 hours of approved centre-based ECEC services was \$540⁴. The most common 'childcare service-related reason' families gave for not being in the labour force was the cost of 'childcare' (26.7%)⁵.

The report notes in its concluding remark: "the real challenge is in developing a clearer vision of the role of early childhood education and care in Australia, and working towards this."

The Government's commitment to lifting the maximum rate of Child Care Subsidy to 90 per cent of the hourly fee cap for families earning up to \$80,000 will improve equitable access to early childhood education and care. However, the families that are most in need of improved affordability will miss out on these benefits because they don't have access to enough hours of subsidy due to the current design of the activity test. Credible independent and Government commissioned evaluations and sector analysis have shown that structural design of the activity test for low-income families prevents families from accessing enough affordable early learning and care to support child development or promote workforce participation (outlined in the subsequent pages).

An increase in the rate of the Child Care Subsidy (CCS), without a complementary measure to increase the number of hours available to families with low incomes and less than 16 hours of work, study or training will exacerbate existing inequity and widen attainment gaps for children in families with low incomes and insecure work. It will also tangibly increase financial disincentives and out-of-pocket costs and barriers to work, study and

¹ [Child Care Package Evaluation: Final report](#)

² <https://aifs.gov.au/publications/how-we-worked>

³ [Benefits and wages - Net childcare costs - OECD Data](#)

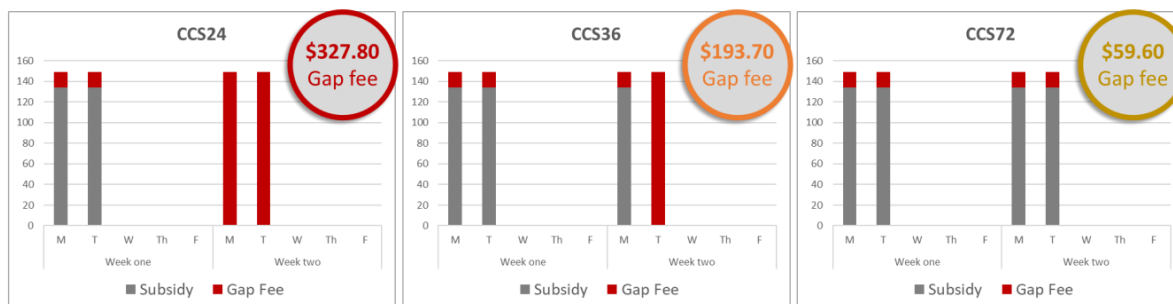
⁴ [Report on Government Services 2022](#)

⁵ [3 Early childhood education and care – Report on Government Services 2022 – Productivity Commission \(pc.gov.au\)](#)

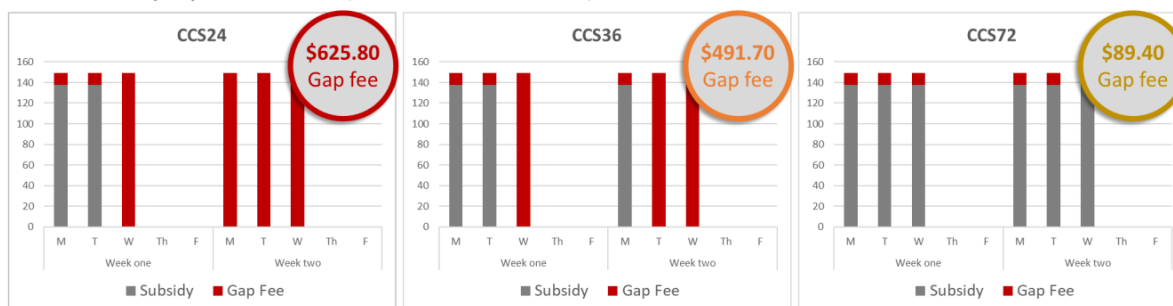
training for parents of young children at a time when the Government is trying to increase productivity as part of the skills shortage across the economy.

The charts below demonstrate the current inequity built into the system by comparing the gap fee for families accessing CCS for 24 hours per fortnight (CCS24), CCS for 36 hours per fortnight (CCS36) and CCS for 72 hours per fortnight (CCS72) over two days per week and three days per week patterns of attendance over a fortnight.

Two days per week (under \$80,000)



Three days per week (under \$80,000)



(for more detail see Appendix 1)

The benefits of an increased subsidy will only be realised if combined with an equity measure to ensure we do not exacerbate disadvantage and continue to lock out the families with tenuous or unstable work. The activity test has always been back to front – families often need to have children settled in early learning services before they can pursue work opportunities, not the other way around. Making workforce participation a pre-requisite for subsidy makes it harder for those already doing it tough. ECA has developed an Equity Measure Proposal to amend the Activity Test (Attachment 1).

Addressing access

There also need to be a national system of stewardship to ensure that early childhood services – including preschool/kindergarten, long day care, family day care and outside school hours care are available to families across Australia. Access to early learning is unequal in Australia. The Mitchell Institute's Childcare Deserts and Oases report reveals that over a third of Australia's children live in 'childcare deserts' (568,700 children aged 0 to 4 years, or 36.5%) – nine million Australians in total. 'Childcare deserts' are areas where there are more than three children for every ECEC centre-based place. While they are most likely to occur in regional and remote areas, 'childcare deserts' are in every part of Australia.

Universal access to high-quality, play-based early childhood education and care (ECEC) services delivers positive outcomes for children and families now and into the future. This access also provides greater opportunities to reach and support vulnerable children and families. Families, particularly women, are often wedged between imperatives of workforce participation and care responsibilities - it is important that we don't mistake current options or utilisation of ECEC for choice. The system needs to continue to ensure quality, build on the NQF, and

ensure that the value of high-quality ECEC is understood by the working population – to enable decision-making.

The gains of a universal, affordable early childhood education and care system are amplified when coupled with structures such as paid parental leave that support women's participation in the workforce and ensure economic security – we welcome the Government's recent action in this area.

ECA joins organisations like the CPD and The Parenthood in calling for increases to paid parental leave for Australian families. The *Back of the Pack* report, commissioned by The Parenthood, has demonstrated that despite women holding higher levels of post-school qualifications than their male counterparts, they experience lower workforce participation in every age group except 15 to 24 years. The report has additionally shown that Australia is lagging in terms of female labour participation compared to countries such as Canada, Germany and Sweden that provide more generous paid parental leave. A comparison between Sweden and Australia's employment rates for women across the life course shows that while Australian women commence working ahead of Swedish women, Australian women's participation rates fall behind when they reach the peak period for having children. If participation rates of Australian women were maintained at the levels of their Swedish counterparts, through better access to paid and shared parental leave, Australian women's lifetime earnings would increase by 32% (\$696,000) and superannuation balance would increase by 20% (\$180,000)⁶.

Recommendations:

- 1. Amend the Activity Test on the Child Care Subsidy to increase the minimum hours children can attend from 12 hours/week to 36 hours/week (see Appendix 1) – at the same time as Child Care Subsidy increases come into effect (July, 2023)**
- 2. National stewardship system to ensure availability of services that meet the needs of families and communities, across Australia.**
- 3. Add superannuation to Paid Parental Leave to address the motherhood penalty.**

Changes to the activity test

ECA welcome the Schedule 3 changes to the activity test for Aboriginal and Torres Strait Islander children increasing the number of subsidised hours to 36. ECA are concerned, however, that this increase falls short in the context of a likely two-day per week enrolment (four days over a fortnight) to make use of the subsidy. 36 hours of subsidised care across four-day enrolment in a typical LDC service would leave families paying for up to a full day of unsubsidised ECEC in addition to any gap fee. This adds complexity to measures intended to increase access, has the potential to increase fee-debt for families or to reinforce usage patterns aligned with CCS 24, which results in one day of subsidised ECEC per fortnight.

Recommendation:

- 1. Take immediate action to redress unintended access barriers and fee-debt risks by increasing the number of subsidised hours for Aboriginal and Torres Strait Islanders to at least 48 hours (mitigation if proposed amendments to the Activity Test are not taken up).**
- 2. ECA strongly recommend that this be implemented as an interim measure to amending the Activity Test on the Child Care Subsidy to increase the minimum hours children can attend from 12**

⁶ Equity Economics. (2021). *Back of the pack: How Australia's parenting policies are failing women and our economy*. The Parenthood.

hours/week to 36 hours/week (see Appendix 1) – at the same time as Child Care Subsidy increases come into effect (July, 2023)

Integrity measures

ECA are broadly supportive of the proposed integrity measure that seek to ensure that the system delivers accessible and affordable services to families – including moving to electronic payments and welcome the visibility that this will provide. It is critical, however, that:

- a. vulnerable families do not face additional access barriers or become vulnerable to fee-debt due to this. Clear processes need to be in place to administer and evaluate Secretary exemptions.
- b. individual services do not bear the weight of the administrative burden. Our brief assessment of the measures is that, in some cases, it will rely on assertive manual review of payments data to assess if families are accumulating fee-debt. ECA advocates for system-design that carries this load by integrating reporting that identifies fee-debt vulnerability for families and provides appropriate preventative alternatives.

Additionally, it is important to assess the impact of these reforms for unique contexts, for example, services that cater for very vulnerable groups and service types.

Recommendation:

1. **Consult with the sector to model or test the implementation of these measures, with a view to defining the mechanisms (Ministerial rules) that will safeguard against marginalising vulnerable groups and targeted services, such as ACCO ECEC services.**
2. **Implement close monitoring systems to ensure that vulnerable families are not adversely affected.**

Workforce shortages

One of the most critical issues the ECEC sector is facing—that will have a direct impact on implementation of the Government’s proposed reforms—is the significant workforce shortages and continued recruitment challenges. Turnover in the sector is estimated at 30% annually and between May 2020 and May 2022 there were:

- almost three times the vacancies for centre directors
- almost four times the vacancies early childhood teachers
- more than six times the vacancies for ECEC educators.

Many services are reducing their capacity in response, which is directly impacting families’ ability to balance their work and care responsibilities.

While labour shortages are occurring in many industries, the ECEC sector is unique in that it is an enabler for many other sectors by enabling parents to go to work in a range of sectors. Strategies to address shortages need to be substantial in terms of scale because this is large workforce. The early childhood sector employs 216,619 teachers and educators (195,390 in contact roles – 90.2%) which is comparable to the workforce in primary schools, mining or media/communications⁷.

⁷ DESE: [2016 Early Childhood Education and Care National Workforce Census, September 2017](#)

ECEC has a significant role in the Australian economy and society, underpinning both the education outcomes of children (the workforce of the future) and the capacity of more than 1M family households to participate in the workforce – shortages in this sector have an amplified impact on the Australian workforce more broadly.

How the sector is feeling: Exhausted but not without joy

ECA conducted a short survey of members and followers prior to the Jobs and Skills Summit - responses confirmed that the workforce is under significant pressure. The need to improve pay and conditions through long-term structural reform was the highest ranked priority for the sector, followed by an immediate wage increase, support to include children with additional needs and a community level campaign promoting the value of the profession.

As a part of the survey, we asked how it felt to work in ECEC at the moment – the top three responses were: Exhausted, Stressed and Happy. Approximately 67% of respondent indicated that they felt exhausted daily. However, of those that felt exhausted daily, 78% indicated that they regularly felt Happy, 67% regularly felt Joyful, 51% regularly felt Excited and 46% regularly felt Hopeful.

The ECEC workforce is facing significant issues that warrant a time-limited, crisis response to stabilise the sector to enable longer term strategies to take effect. This could include brining forward elements of the *Shaping our Future workforce strategy* and implementing time-limited strategies that address the workforce and qualification supply issues.

We propose that improvements to pay and conditions be address in two ways: immediate remediation strategies that address historic and ongoing disparity; and longer term structural changes that seek to remunerate ECEC professionals commensurate to the value that the profession contributes. Women working in the ECEC profession should be afforded the same level of economic security and parity in participation as the women whose participation they support.

ECA's recommends the following to address critical workforce shortages, urgently:

- 3. Develop a 'critical response strategy' that responds to the immediate workforce crisis**
- 4. Improve professional recognition, pay and conditions for women working in the ECEC sector.**

Removing barriers to affordable early childhood education and care for the children who need it most – an equity measure

The Opportunity

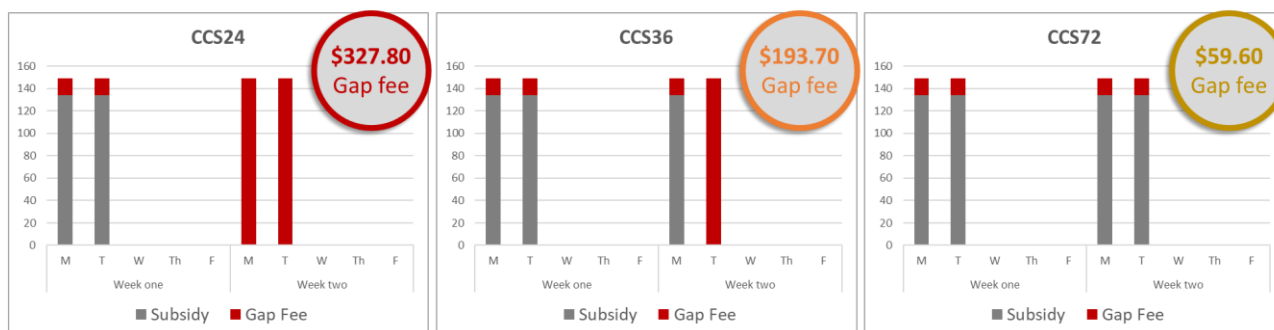
The Government's commitment to lifting the maximum rate of Child Care Subsidy to 90 per cent of the hourly fee cap for families earning up to \$80,000 will improve equitable access to early childhood education and care. This is an important policy change.

However, the families that are most in need of improved affordability will miss out on these benefits because **they don't have access to enough hours of subsidy** due to the current design of the activity test. Credible independent and Government commissioned evaluations and sector analysis have shown that structural design of the activity test for low-income families prevents families from accessing enough affordable early learning and care to support child development or promote workforce participation (outlined in the subsequent pages).

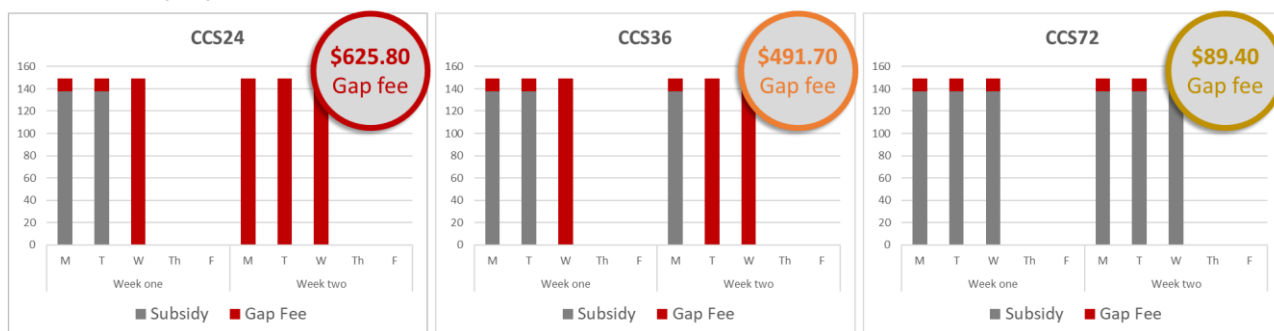
An increase in the rate of the Child Care Subsidy (CCS), without a complementary measure to increase the number of hours available to families with low incomes and less than 16 hours of work, study or training **will exacerbate existing inequity and widen attainment gaps for children in families with low incomes and insecure work**. It will also tangibly increase financial disincentives and out-of-pocket costs and barriers to work, study and training for parents of young children at a time when the Government is trying to increase productivity as part of the skills shortage across the economy.

The charts below demonstrate the current inequity built into the system by comparing the gap fee for families accessing CCS for 24 hours per fortnight (CCS24), CCS for 36 hours per fortnight (CCS36) and CCS for 72 hours per fortnight (CCS72) over two days per week and three days per week patterns of attendance over a fortnight.

Two days per week (under \$80,000)



Three days per week (under \$80,000)



⁸ Based on \$149 cost per day and 90% subsidy

Appendix 1: Equity measure

A simple solution

A simple legislative amendment to remove the bottom two steps of the activity test (ie CCS-24 and CCS-36) would deliver three crucial and urgent benefits:

1. Improve equity of access for children from low-income households who are yet to meet the activity test threshold and as such are currently excluded from early education and care and amplify the benefits of the Governments election commitment
2. Remove financial and administrative barriers to participating in work, study and job search activities for parents of young children by ensuring ongoing access to affordable child care and early learning
3. Reduce complexity and unnecessary red tape with Centrelink – a key complaint of thousands of Australian families who must report to Centrelink fortnightly if their activity changes.

We estimate that this would benefit up to 80,000 families. Approximately 12,000 accessing CCS24 and a further 41,000 accessing CCS36, which they are eligible to depending on their activity test. We estimate there are a further 20,000 – 30,000 families currently locked out of the system. The majority of families, around 622,000, are accessing Child Care Subsidy for 100 a fortnight, meaning that this proposal will make a significant impact for a smaller proportion of families accessing fewer approved hours of CCS.

The cost of this change would likely be returned in increased tax revenues from parents working more and potentially administrative savings for Services Australia. Administrative data shows families only use the subsidised hours they need – the co-contribution ensures that utilisation is closely aligned to hours of paid work.

It is also technically feasible to introduce this change with the CCS rate change legislation and is a relatively simple systems change for Services Australia.

Current		
Activity test step	Hours of recognised activity per fortnight	*Hours of subsidised child care per CCS fortnight –
1	Up to 8 hours + means test	24 hours
1 a	Exemptions for preschool	36 hours
2	8 hours to 16 hours	36 hours
3	More than 16 hours to 48 hours	72 hours
4	More than 48 hours	100 hours

Proposed		
Activity test step	Hours of recognised activity per fortnight	*Hours of subsidised child care per CCS fortnight –
1	Up to 48 hours	72 hours
2	More than 48 hours	100 hours

**Note Government admin data shows families only use what they need & can afford*

The details and evidence

The issues

In 2018, the previous Government's Jobs for Families Package, halved the minimum Child Care Subsidy (CCS) entitlement for families that do not meet the activity test, effectively cutting access to early learning from two days a week to only one day a week for many of the most vulnerable children in the community.

The minimum CCS entitlement of 24 hours a fortnight for families that do not meet the activity test effectively limits children's access to subsidised early childhood education and care (ECEC) to one day per week because the majority of early childhood education and care services operate daily sessions of 11 hrs. Very few services offer 6 or 9 hour sessions that would enable a child with only 24 hrs per fortnight of subsidy to attend 2 days/week. As a result, many of these children miss out.

There is a robust dual purpose to this proposal:

The first is to ensure that families get at least two days a week of access to ECEC, if needed, to promote child development, especially for disadvantaged children from the age of 2 years, for whom the evidence is clear that early learning programs provide a protective factor against developmental vulnerability and other forms of disadvantage.

The second is to enable sufficient flexibility and incentives to promote workforce participation especially for low-income families – one cannot look for work without sufficient ECEC. For families, this significantly limits the level of flexibility available to them, particularly women, to participate in the economy. One of the most significant impact for families, particularly women, is on those who have insecure, casual or short-term work opportunities. Families find themselves unsure about which activities count towards their eligibility and become stuck in a cycle of not being able to accept work that is available because they do not have predictable access to care. They cannot afford to pay high out-of-pocket cost for unsubsidised access and are concerned about over-estimating their activity.

Case Example: Vrushali is a single mum to Ravi who is 2 years old. Ravi attends Happy Days long day care centre one day a week - usually Tuesdays. The daily fee at Happy Days is \$126.50; Vrushali pays \$25.30 and claims \$101.20 CCS. Vrushali works as a casual retail assistant at Coles; she is offered shifts at short notice and often has to turn them down when she does not have care for Ravi. The team at Happy Days try to be flexible but they cannot always offer a spot for Ravi on other days and Vrushali cannot afford to send Ravi to Happy Days for 2 days/week because she doesn't qualify for the subsidy – it would cost \$126.50 and she usually only earns \$116 per shift. If she wasn't limited to 24hrs/fortnight, Ravi could attend Happy Days more frequently and Vrushali could take more shifts.

Children benefit from high quality early childhood education and care – this is particularly true for vulnerable groups. Yet, a recent AIFS evaluation of the Child Care Package found that the reduction in the minimum hours of subsidised ECEC from 24 hours per week to 24 hours per fortnight 'disproportionately impacted on children in more disadvantaged circumstances' and recommended that it be reviewed (p. 346). In addition, data provided to Senate Estimates show 31,440 families (2.9%) were entitled to CCS24 in 2018-19, which by June 2021 had dropped to just 12,110 families (1.3%) – there has been an overall reduction of 42,000 families since 2018.

Proposed solution: No one left behind—no one held back

There is an opportunity to address this by **abolishing the CCS24 and CCS36 categories, as part of the legislative changes planned this financial year to change the CCS rates**. This change would deliver better equity gains for children and families, increase productivity, and cut red tape.

Abolishing the CCS24 and CCS36 categories will ensure that children in low-income households, including many children at risk of poor education outcomes, would have access to at least 2 days of early learning each week. This would be a significant start to undoing the disadvantage that was baked into Australia's early learning and care system by the previous government. It is also a step towards the Government's commitment to universal early education for all children without the need to wait for the final recommendations which may still be 2 years away. In other words, we could act now.

This proposal responds directly to the AIFS evaluation of the CCS, released in March 2022, which recommended that the adequacy of CCS24 be reviewed, finding:

“there are significant challenges in the provision of early childhood education and care, including the balance between childcare as an enabler of parental workforce participation and the role of early childhood education and care in child development and as an instrument to address disadvantage”

Workforce Benefits

Families, and particularly women returning to the workforce, need predictable access to ECEC to be able to participate in the workforce. Removing the CCS24 and CCS36 categories would remove the significant barrier of high out-of-pocket cost for unsubsidised ECEC and would provide much needed predictability for families, especially women, to get back into the workforce.

Employers and the economy would also benefit from increased supply of a casual and part time workforce who will be more available to fill shortages through the flexibility and predictability that this measure will deliver.

Enhancing workforce participation and earnings also serves to support women's safety and wellbeing over the long term, building economic security and increasing their capacity to make decisions if they find themselves in an unsafe domestic relationship.

Red Tape Reduction

This measure can be implemented within the current functionality of the CCS system while significantly simplifying it. It removes a layer of red tape for government, for families and for early childhood service providers.

While an increase to the bottom step of the activity test, to 60 hours offers an alternative approach to improving equity – it does not make the CCS any less complicated. The removal of the two lowest steps creates a simplified solution that delivers the Government's intended benefits, including improving equity of access for children and families, as well as delivering productivity gains for employers and the economy. It also represents a measured first step towards longer-term reforms to be progressed through the productivity commission reforms.

Appendix 1: Equity measure

Lead signatories:

Professor Sharon Goldfeld
Murdoch Children's Research Institute

Samantha Page, CEO
Early Childhood Australia

This proposal has the support of leaders across the early childhood development and education sectors, including:



Brotherhood
of St Laurence



the
Front
Project



Children's Services
Since 1895

