



RESPONSE TO
SENATE INQUIRY INTO
THE PROVISIONS OF THE
FAMILY ASSISTANCE
LEGISLATION AMENDMENT
(JOBS FOR FAMILIES CHILD
CARE PACKAGE) BILL 2015





Australian Childcare Alliance

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Background and Overview

Australian Childcare Alliance (ACA) welcomes the opportunity to respond to this essential Senate Inquiry. The entire sector and collection of peak bodies are unanimous in the view that it is critical to get these renewed policy settings right. 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 speak to the importance and impressive benefit of early education and how this improves a nation's prosperity and economic success. Why then would we not invest more effectively to ensure that no child is left behind in these crucial early years and reap the benefits into the future?

By way of background, the Australian Childcare Alliance (ACA) is the peak body representing 3000 members and around 360,000 families in the ECEC sector throughout Australia. ACA works on behalf of long day care owners and operators to ensure families have an opportunity to access affordable early childhood education and care throughout Australia. The national body and its state associations work collaboratively with all levels of government, regulatory authorities and other stakeholders to ensure that families are supported into the future with a sustainable, affordable and viable sector.

ACA has worked tirelessly with successive governments, Members of Parliament, Senators, departments and key stakeholders during the most recent seven years of reform in the early childhood education and care (ECEC) sector. Our commitment to achieving the best outcome for children is the heart of what we do.

ACA recognises the many positive aspects of this package. We welcome the relief for families from 1 July 2017 and the increased threshold from \$7,500 to \$10,000 for middle income families. ACA welcomes the \$3 billion additional investment and remain 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 package is positive recognition by Government of the value of the ECEC sector and the part it plays in assisting parents and other primary carers to maintain workforce participation. The Child Care Subsidy hourly rate cap is a sound subsidy for implementation of this package from 2017 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, 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.

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>

Despite the additional \$3 billion investment, we hold significant concerns about the impact of this package on children and families. Figures released by the Senator the Hon Simon Birmingham, Minister for Education and Training², show that some 183,900 families will be worse off under the reforms. Families in the lowest income bracket, earning less than \$65,710 gross per annum will have their 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.

For those families in the so called middle-income bracket (between \$65,710 gross and \$170,710 gross per annum) 55,700 families³ will receive reduced support and be worse off. Children in this income bracket will receive NO subsidised early education and care program when one parent does not meet the work activity test. The figures⁴ show 55,700 families will be affected and many of the children of families in this income bracket will miss out on crucial early childhood education and care.

The cuts in this package are not just restricted to low and middle income families. More than 76 000 households earning above \$170,710 will be worse off and receive a lower amount of subsidy from the Government⁵.

The *Jobs For Families* package will leave more than 1 in 10 families worse off, according to the figures released by Minister Birmingham⁶. However, Federal Shadow Minister for Education & Early Childhood, the Hon Kate Ellis, states that one in four families will in fact be worse off.⁷ ACA has been in total support of an overhaul of the current child care system and our support has always been governed by the proviso that no families and their children would be worse off than under the current model. The government has now revealed that the *Jobs for Families* package will leave many families and their children worse off. As a consequence, ACA cannot provide complete support when figures reveal that 183,900 families will not benefit from this package.

ACA has always advocated for children, families and the quality services that provide early learning opportunities. We urge this committee to consider that all children deserve the opportunity to access some level of affordable, quality early learning regardless of their parents'/parent's level of activity. The *Jobs For Families* package is focussed too narrowly on workforce participation and diminishes the long-term educational outcomes for children afforded by access to quality ECEC, as per the requirements of the National Quality Framework (NQF). Without the amendments recommended by ACA, children will undoubtedly slip through the cracks.

² <http://www.senatorbirmingham.com.au/Latest-News/ID/2935/One-million-families-to-benefit-from-child-care-reforms>

³ <http://www.senatorbirmingham.com.au/Media-Centre/Media-Releases/ID/2935/One-million-families-to-benefit-from-child-care-reforms>

⁴ <http://www.senatorbirmingham.com.au/Media-Centre/Media-Releases/ID/2935/One-million-families-to-benefit-from-child-care-reforms>

⁵ <http://www.senatorbirmingham.com.au/Media-Centre/Media-Releases/ID/2935/One-million-families-to-benefit-from-child-care-reforms>

⁶ <http://www.senatorbirmingham.com.au/Media-Centre/Media-Releases/ID/2935/One-million-families-to-benefit-from-child-care-reforms>

⁷ <http://www.kateellis.com.au/newsroom/1124/>

Recommendations

Administrative Burden

Recommendations:

- *That there be a comprehensive education campaign to ensure that families and services are well aware of their expectations under the legislation and minimise the administrative burden created as a result of the changes*
- *That the Government provide an assurance that the proposed IT system will not increase the administrative burden on families and services and will work collaboratively with the ECEC sector to transition the new system into services*
- *That processes are in place to allow prospective providers tentative approval prior to construction*
- *That S204B(6)(c)(i), referring to proposed changes to backdating provision, be amended to “the 42nd day after the start of the week to which the report relates or;” as to allow a 42 day period to update relevant information within the Childcare Management System.*

Child Care Subsidy

Recommendations:

- *That the definition of ‘centre-based day care’ be amended to exclude out of scope occasional care.*

Activity Test

Recommendations:

- *That all children of parents earning an income up to \$100,000 be eligible for the 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.*
- *That the Activity Test does not leave any of the children in the above bracket in a position where they cannot access subsidised care in an early education and care program.*
- *That the Minister’s Rules pertaining to the Activity Test be released immediately.*
- *That the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015 is amended to include a prescribed review after an initial two year implementation period and then recurrent every 5th year for the Child Care Subsidy to ensure that devaluation of the subsidy does not erode assistance to families.*
- *An evaluation of the child care subsidy to be included in the above review to ensure that devaluation of the Child Care Subsidy is not eroded.*



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- *That the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015 is amended to include a prescribed review after an initial two year implementation period and then recurrent every 5th year for the overall policy provisions of the Bill and effectiveness in ensuring no child is worse off under the changes.*
- *That Subclause 2(2)(b)(i) of the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015 be amended to ensure only direct, per child fee relief affects the rate of Child Care Subsidy*

Child Care Safety Net

Additional Child Care Subsidy

Recommendations:

- *That the Federal Government urgently engage state and territory officials and stakeholders regarding the practical, administrative and legal definition of ‘at risk’ children for the purposes of the Additional Child Care Subsidy.*
- *That Subsection 4 of the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015 is amended to ensure that “at risk” determination applications are not deemed refused if the prescribed 28-day timeframe lapses.*
- *That an activity-test exemption transition period of no less than six weeks be introduced for families transitioning from the Additional Child Care Subsidy to the Child Care Subsidy. That as per recommendation 15.5 of the Productivity Commission Report ACA propose that an automatic extension will be provided for children for whom there is a current child protection order. Additionally, families who have had a child assessed as ‘at risk’ for a period of 6 months or more would be exempt from the activity test for on-going ECEC services for this child for a further period of up to 18 months*

Income Thresholds

Recommendations:

- *That the Family Assistance Legislation Amendment (Jobs For Families Child Care Package) be amended to raise the lower gross income threshold from \$65,710 to \$100,000.*

Inclusion Support

Recommendations:

- *ACA requests an injection of funding made specifically available for services to train all educators in advanced behaviour management techniques and in targeted high needs areas for other medical conditions.*

Universal Access

Recommendations:

- *That future UA funding be delivered in accordance of the original intent as stated in the National Partnership*

The Decision RIS

Recommendations:

- *ACA calls on the Government to release the ECA report on the decision RIS; in the interest of transparency and cooperation with the Australian public and ECEC sector*

Nanny Pilot Programme

Recommendations:

- *ACA request that the surplus funding from this program be redirected into to support the implementation of our recommendations.*



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About the Sector

According to the Australian Children's Education and Care Quality Authority (ACECQA), as at 30 September 2015, there were 15 022 early childhood education and care services operating across Australia, of which 13 995 were centre-based services (long day care, preschool and outside school hours care)⁸. Of these services, 43% are privately owned and operated, with the vast majority (83%) of approved providers operating only one service, and only 1% of approved providers operating 25 or more services.

The most recent data provided by the Department of Social Services⁹ indicates that for the September quarter 2014, there were 1.2 million children across 819 970 families using approved child care in Australia, approximately 55% (658 400) of whom are in long day care, reflecting the growing demand for early childhood education and care services more closely aligned with work hours.

The 2015 *Report on Government Services*¹⁰ confirms that 29% of all children aged 0-12 years attended Child Care Benefit (CCB) approved child care in 2014, an increase from 27.5% the year prior. Looking specifically at children aged 0-5 years, in 2014, 54.1% of all children aged 2 years; 60.7% of all children aged 3 years; and 52.8% of all children aged 4 years attended CCB-approved child care. The same report highlights the growing number of staff employed by CCB-approved child care services, with 99 655 paid primary contact staff employed in 2013.

Reform Fatigue

The early childhood education and care sector has been through a concentrated period of reform since the National Partnership Agreement on the *National Quality Agenda for Early Childhood Education and Care* was signed by the Commonwealth of Australia and State/Territory governments in December 2009 under the Rudd Government. The agreement committed the Commonwealth and State/Territory governments to work together to implement the National Quality Agenda for early childhood education and care. This has been implemented over the past six years, with changes to educator qualifications, educator: child ratios; policy, regulation and legislation; a new quality rating system; and a move towards 'nationally consistent' requirements. As outlined in previous submissions over the last few years¹¹, ACA argues that the approach has been anything but nationally consistent in practice. This lack of congruence has placed additional pressure on the sector and impacts on our ability to provide quality, affordable and accessible ECEC services for families. Figure 1 (overleaf) provides an overview of the key inquiries, consultations and announcements since September 2013.

⁸ Australian Children's Education and Care Quality Authority (2015) *NQF Snapshot Q3 2015* <http://files.acecqa.gov.au/files/Reports/2015/NQF%20Snapshot%20Q3%202015%20FINAL.pdf>

⁹ Department of Education (2014) *Child Care and Early Learning in Summary – June quarter 2013* <http://www.mychild.gov.au/documents/child-care-early-learning-september-14>

¹⁰ Australian Government (2015) *Report on Government Services 2015* <http://www.pc.gov.au/research/ongoing/report-on-government-services>

¹¹ See for example *ACA Response to Child Care Assistance Package Regulation Impact Statement (2015)*; *ACA Response to NQF Review Consultation Regulation Impact Statement (2015)*; *ACA Response to Productivity Commission Draft Report into Childcare and Early Childhood Learning (2014)*; *ACA Response to National Quality Framework Review (2014)*

Following the change of government in 2013, a *Productivity Commission Inquiry into Childcare and early Childhood Learning*¹² was announced, with the inquiry process concluding in late 2014 and the final report released in early 2015.

At the same time, two Senate inquiries were conducted, the first on the *Delivery of Quality and Affordable Early Childhood Education and Care Services*¹³, and the second on *The Immediate Future of the Childcare Sector in Australia*¹⁴. Both inquiries concluded in July 2014.

Also in 2014, a review of the *National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care*¹⁵ (NQF Review) was conducted, with a public consultation process taking place in early-mid 2014 and a summary of findings released in October 2014. A *Consultation Regulation Impact Statement*¹⁶ was then released in November 2014, with submissions closing in mid-January 2015.

A series of announcements related to the Federal Budget and 'Child Care Assistance Package' was then made in early 2015, including the:

- 12 April 2015 No Job No Pay announcement;
- 28 April 2015 Nanny Trial announcement;
- 3 May 2015 Universal Access announcement;
- 8 May 2015 Safety Net announcement; and
- 10 May 2015 'Jobs for Families Package' announcement.

The significance on this package as the centrepiece of the 2015 Hockey Budget cannot be underestimated. ACA recognises this and has sought to work collaboratively with Government and stakeholders to ensure the *Jobs For Families* package benefits those who need it the most and ensures that no child slips through the cracks.

The Budget announcement was followed by the 26 June 2015 release of a consultation Regulation Impact Statement, 15 July 2015 release of Nanny Trial Draft Guidelines and 10 December 2015 release of Draft Inclusion Support Programme Guidelines. Regrettably these consultation periods have been short and stakeholders have often been constrained by sector commitments. Where services and stakeholders would have valued the opportunity for a more considered input, their voice has been lost due to the restricted timeframes.

¹² <http://www.pc.gov.au/inquiries/completed/childcare#report>

¹³ http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/Affordable_early_childhood

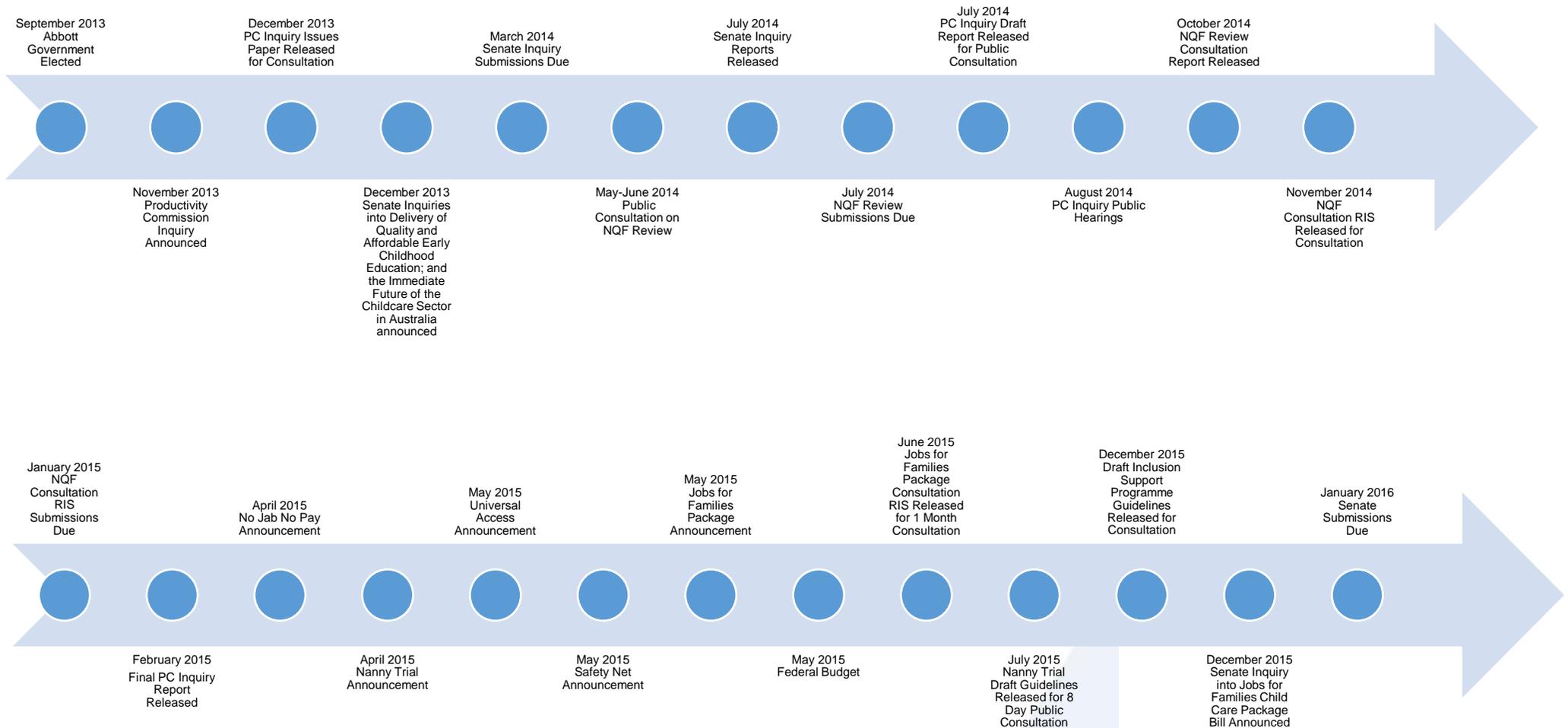
¹⁴ http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/Future_of_the_childcare_sector

¹⁵ <http://www.woolcott.com.au/NQFReview/>

¹⁶ <http://www.deloitteaccessseconomics.com.au/our+services/nqf+consultation+ris>

**Figure 1: Early Childhood Education and Care Inquiries, Consultations and Key Announcements
September 2013 – January 2016**

(NB: this does not include major regulatory changes and key NQF implementation changes eg ratio and qualification changes, also brought in during this 28 month period)



Given this concentrated period of government inquiries and major policy announcements, the sector can best be described as suffering from reform fatigue. Members are reporting a reluctance to engage in the consultation processes – including this very Senate inquiry. ACA is extremely concerned that the perceived ‘ambivalence’ is being interpreted by government as universal support for the recent and proposed reforms, rather than an urgent signal that the sector has reached ‘chronic reform fatigue’ and simply lacks the time and energy to respond to yet another inquiry.

ACA therefore encourages the Education and Employment Legislation Committee to carefully consider how best to obtain meaningful, grassroots feedback on the key elements of the *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015* to complement the expert advice provided by peak bodies. We look forward to speaking directly with the Committee at a public hearing and would welcome further grassroots consultation via teleconference, Skype or electorate meetings with those families and services who will be affected.

To fully understand the impact of these proposed changes, Government must hear the voice of its constituents. ACA is well positioned to work collaboratively with this committee through the consideration of the legislation package and suggested amendments to the reforms.

Jobs for Families Package

Administrative Burden

Upon review of the Bill, Explanatory Memorandum and various information guides available on a number of Departments’ websites, ACA is concerned that the administrative burden on families, services and government alike will be significant, flying in the face of the Federal Government’s red tape reduction ambitions, as highlighted in its online Guide to Regulation¹⁷.

The administrative burden placed on families, services and the Department resulting from the additional reporting requirements is an area of significant concern. ACA is concerned that the additional monitoring and documenting under the Jobs For Families package will be more onerous on service operators and families. Increased administrative burden for services will result from the constantly changing circumstances of families and their children. Stability in operational aspects of a service is vital for the educators, children and families, and whilst we have yet to experience the implementation process of the activity test changes, our concern arises from the processes put forward in the package. The reporting and monitoring of work activity will also place additional burden onto already struggling Centrelink offices. ACA strongly suggests that this be monitored in the review process recommended in this submission.

¹⁷ <https://cuttingredtape.gov.au/handbook/australian-government-guide-regulation>

The intent of the current Government has been to ensure that “red tape” for business is reduced. ACA understands that the digital platform being developed will have improved capability to handle these changes; however we remain very concerned about the deployment and implementation of this system and the possibility of increased administrative burden on providers. It is imperative that Government works closely with ACA and other key stakeholders to develop this digital service delivery platform and ensure that families and childcare services are not derailed by complicated and cumbersome IT systems.

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 prior to the Bill passing through the Senate. The intent of the current Government has been to ensure that “red tape” for business is reduced and it is hoped that this commitment is taken into account in the implementation of the Jobs for Families package.

ACA members seek clarification as to whether the service will be required to carry the government funding for a period of two weeks as the wording in the Legislation appears to indicate that the CCS can only be assessed on a fortnightly basis in conjunction with a parents activity and within the fortnightly cycle specified within the Explanatory Memorandum. This could have significant cash flow implications for a number of services

ACA has concern for outcomes for families after the first end of year reconciliation process. Our concern is that the system will be difficult to manoeuvre for families during the inaugural year and many families may find that they have considerable debt after reconciliation. ACA would also like to clarify whether the end of year reconciliation process is purely to reconcile income or to also include and activity reconciliation and if so what burden of proof is required by families in relation to activity.

The Explanatory Memorandum provides direction on how CCS is to be calculated and then deducted from centre fees. Explaining this process of calculating out of pocket expenses to families will be even more complicated than explaining the current system. This highlights the need for a comprehensive education campaign well ahead of the scheduled implementation date.

ACA notes the proposed change to pause the acceptance of applications for provider and service approvals, giving the Minister the discretion to apply the pause when required. We seek clarification of this proposal, in particular what notice period would be given to industry in the event of a pause coming into effect. It is common practice for a centre to apply for their approval once the service is almost entirely operational, including in some cases the completion of construction and in light of this ACA would like processes in place that ensure prospective providers would apply for tentative approval prior to construction.

The provision to back date data limited to a 28 day period is not practicable for families or services, and will have a detrimental effect on service delivery. ACA urges the Government to increase the backdating provision to 42 days.

Administrative Burden

Recommendations:

- *That there be a comprehensive education campaign to ensure that families and services are well aware of their expectations under the legislation and minimise the administrative burden created as a result of the changes*
- *That the Government provide an assurance that the proposed IT system will not increase the administrative burden on families and services and will work collaboratively with the ECEC sector to transition the new system into services*
- *That processes are in place to allow prospective providers tentative approval prior to construction*
- *That S204B(6)(c)(i), referring to proposed changes to backdating provision, be amended to “the 42nd day after the start of the week to which the report relates or;” as to allow a 42 day period to update relevant information within the Childcare Management System.*

Child Care Subsidy

Early childhood education and care delivered in a long day care setting is termed “centre-based day care” in the Bill and Explanatory Memorandum. Aside from our very real concerns about the absence of ‘education’ from this terminology, ACA is concerned that ‘centre-based day care’ is also understood to include an out of scope service type being occasional care. As the Senate Committee may be aware, occasional care is currently excluded by the Education and Care Services National Regulations and therefore not subject to the quality areas prescribed in the National Quality Framework, nor the requirements that long day care services are subject to regarding qualifications; educator: child ratios, preschool programme delivery and so on. Under this definition there is potential for some long day care services re-positioning themselves as occasional care services without having to meet any of the requirements of the National Regulations and National Quality Framework, yet being able to attract the maximum CCS hourly rate cap. Having services opting out of the National Quality Framework would be a retrograde step.

ACA notes that the new Child Care Subsidy has been designed to support workforce participation, encourage children’s learning and development needs and target fee assistance to those who participate in the workforce. The unintended consequence of linking the hours of subsidised education and care to hours worked by both parents is that some children will miss out on critical early learning if both parents fail to meet the proposed activity test. We recognise and understand that increased workforce participation would be hugely beneficial to the Australian economy, especially if we, as a nation, are to truly effect ‘budget repair’. The reality is, excluding children from subsidised early learning as a penalty

for a parent (earning in excess of \$65,710) and not meeting the activity test is discriminatory and counterproductive to the future productivity of this nation¹⁸. Children of parents of \$100,000 and above may be able to afford some early learning commitment for their child whilst parents on the bottom of the income bracket in most instances, will not be in a position to afford the fees.

Child Care Subsidy

Recommendations:

- *That the definition of 'centre-based day care' be amended to exclude out of scope occasional care.*

Activity Test

The Federal Education Minister has recently announced that of the 1.2million families accessing early childhood education and care services in 2017-18, some 183,900 families will be worse off.¹⁹ Without having access to the complete data, it is difficult to know exactly how many children will be affected. What we do know is that for those 183,900 families, their children may have reduced early learning opportunities or lose their access altogether.

Families earning less than \$65,710 will have their hours of subsidised access cut from 24 hours per week to 12 hours per week. We ask that the Committee consider the impact of this on the child; their educational outcomes; and the social disruption it will cause. We ask the Committee to consider the Educator or Centre Director having to explain to families that from 1 July 2017 their children will no longer be eligible to attend without having to pay the full fee if the family falls into the cohort over \$65,710 and one parent does not meet the activity test. Minister Birmingham's suggestion that these families "move to lower cost childcare services"²⁰ fails to recognise the relationships and the secure attachments children have with their peers and educators, and the fact that in areas of under-supply, securing a place at a lower-cost service is simply not achievable, and that in many areas, there are no 'lower cost' services. ACA has consistently campaigned for much needed financial relief for families since the implementation of the National Quality Framework (NQF).

ACA acknowledges that parents are struggling with the costs of ECEC for their children. Whilst Government condemns the sector for fee increases, we must point out that 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.

The most recent regulatory increase to the sector was 1st January 2016, when educator:child ratios were increased across several jurisdictions, resulting in significant fee increases as a result of reduced accessibility and/or higher staffing costs with no increase of subsidy from

¹⁸ <http://www.theaustralian.com.au/national-affairs/education/cheaper-childcare-a-boon-for-workforce/news-story/8169b649e92ac2c109859c67dce0fff9>

¹⁹ <http://www.senatorbirmingham.com.au/Latest-News/ID/2935/One-million-families-to-benefit-from-child-care-reforms>

²⁰ <http://www.senatorbirmingham.com.au/Latest-News/ID/2935/One-million-families-to-benefit-from-child-care-reforms>

government to assist families struggling to meet their fee increase – driven by regulatory changes – in order to remain in the workforce. ACA members object to the inference from government that increased fees are caused by providers.

Minister Birmingham also speaks of his concern for the literacy levels of children entering school²¹. Early childhood education and care services play a huge part in preparing children for their first year of formal schooling, as recognised in the NQF.

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 program and lower literacy levels perpetuating into the future.

ACA's concern is for children who will be subsidised to attend a service for two days each week until 30th June, 2017 and on the 3rd of July, 2017 their parents will receive no subsidy. In many cases the children will be withdrawn from their early education and care program and from socialisation opportunities with their peers. The families at the lower end of this bracket are often the families where mum is taking some years off to raise two or three children and putting her career on hold, while dad continues to work. Money is tight – certainly not sufficient to pay for full fees for an early education and care program.

In communities, particularly in regional, rural and remote areas where a child is not provided regular socialisation opportunities exposed to other children due to the demographics, the child may not be considered “at risk” but will have increased challenges when starting school as they have little or no socialisation with their peers.

Government states that the child care subsidy was never intended to assist children of non-working families however when Fee Relief was first introduced in the early 1990's, all children were allocated similar hours regardless of workforce participation of their parents.

ACA questions whether the substantial increase in spending is efficiently targeting the balance of affordability for families and the globally recognised research.²² It appears that the government has selected 24 hours per fortnight purely as a cost saving measure rather than on sound research. ACA understands the current fiscal climate for Government and while the research substantiates our recommendation that all children regardless of their parents' workforce participation and/or adherence to the activity test, have access to at least 30 hours of subsidised early childhood education and care per fortnight, ACA recommends at a minimum 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

²¹ <http://www.couriermail.com.au/news/queensland/new-figures-show-one-in-five-children-starting-school-dont-have-the-skills-to-learn-properly/news-story/1f414317433804a3c4b2a69e67bfa62a>
<http://www.senatorbirmingham.com.au/Latest-News/ID/2937/Press-conference-on-literacy-and-importance-of-parents-reading-to-their-children>

and care, regardless of their parents' ability to meet the Activity Test.. ACA requests the government release the data and financial impact of moving this threshold to ACA's recommendation of \$100,000 on the Jobs for Families Package funding envelope.

It is imperative that the Senate Committee, and indeed all stakeholders, be provided with the Minister's Rules pertaining to the various 'activities' that underpin the activity test, in particular how 'volunteering' will be defined. ACA understands that the table on pages 57-58 of the *Regulation Impact Statement – Jobs for Families Child Care Package* provides some guidance on this. Until we have been afforded an opportunity to review the Minister's Rules, it is difficult for ACA to determine the full impact of the proposed activity test on families.

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 Learning*²³, 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 5th year to ensure that devaluation of the subsidy does not erode the assistance to families as has occurred with the Child Care Benefit.

ACA notes that the description of Subclause 2(2) in the Explanatory Memorandum makes reference to the hourly session fee being “**reduced by the hourly rate of any other subsidy from which the individual benefits in respect of the session (eg subsidy provided by a State or Territory)**”, noting that this could also include Federal funding. ACA assumes that the Federal Government's motivation for this subclause is to avoid potential “double-dipping”, whereby families may be receiving assistance from alternate sources for various reasons. ACA is concerned by this subclause and the potential scope of what may be considered to be “any other subsidy”, and possible unintended financial consequences.

For example:

- (a) Assistance provided via the National Disability Insurance Scheme to fund reasonable and necessary support for children with identified high needs does not have a bearing on the daily fee of a child with additional needs, yet this assistance could fall into the category of “any other subsidy”, thereby disadvantaging the child and the family.
- (b) Universal Access assistance (see further below), currently provided inconsistently across jurisdictions, is paid to services to provide a specialised program for children

²³ Productivity Commission (2014) *Inquiry into Childcare and Early Childhood Learning*
<http://www.pc.gov.au/inquiries/completed/childcare#report>

in the year before school and to meet the specific additional requirements of that program. It does not provide direct, per child fee relief to families however could be perceived as a 'subsidy' nonetheless, thereby could be considered to be "any other subsidy".

Activity Test

Recommendations:

- *That all children of parents earning an income up to \$100,000 be eligible for the 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.*
- *That the Activity Test does not leave any of the children in the above bracket in a position where they cannot access subsidised care in an early education and care program.*
- *That the Minister's Rules pertaining to the Activity Test be released immediately.*
- *That the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015 is amended to include a prescribed review after an initial two year implementation period and then recurrent every 5th year for the Child Care Subsidy to ensure that devaluation of the subsidy does not erode assistance to families.*
- *An evaluation of the child care subsidy to be included in the above review to ensure that devaluation of the Child Care Subsidy is not eroded.*
- *That the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015 is amended to include a prescribed review after an initial two year implementation period and then recurrent every 5th year for the overall policy provisions of the Bill and effectiveness in ensuring no child is worse off under the changes.*
- *That Subclause 2(2)(b)(i) of the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015 be amended to ensure only direct, per child fee relief affects the rate of Child Care Subsidy*

Sessional Charging

The design of the "step" process for the activity test will require parents in many instances to seek short term sessions from their ECEC service. Government's expectation that services should offer short ad hoc sessions to accommodate the graduated activity test will challenge affordability for families and for services. The shorter the sessions, the higher the cost will be for the parent, as services will still need to cover expenses such as: meals, educational programs, staffing and operational overheads, regardless of the hours used

Families and services would find it very difficult to determine the effect on children as this method is complex and they will be constantly in and out of ECEC dependent on their parent's workforce

participation. In country areas, and areas that rely on casual workers affected by weather, seasonal work, tourism etc. it appears likely that children in their formative years will have inconsistent access to their ECEC program. This is in complete contradiction to the NQF, which highlights stability and a sense of belonging as key drivers.

The Minister's expectations that services will provide short sessions for families does not fully consider the educational impact on outcomes for children and how it would impact the early learning environment of a service. Short sessions will reduce the number of work hours for ECEC educators and significantly impact the operating costs and viability of a service.

If government insists on a strict "hours worked/hours subsidised" policy position, time must be allocated for travel and other work/study/volunteer related time constraints placed on families.

Income Thresholds

ACA welcomes the extra support in this package for those families earning less than \$65,710 per annum and the additional safety net for vulnerable and disadvantaged families.

It is widely recognised that an annual family gross income of \$65,710 is by no means wealthy or even comfortable. With the weighted average median house price in Australia costing a significant \$650,000²⁴ and the cost of living rising beyond wage growth, there are ever increasing numbers of families who are struggling to survive financially. This \$65,710 threshold is already being eroded by the widespread fee increases seen since 1st January 2016 brought about by the government's own reform of increasing educator: child ratios.

ACA proposes that the cap of \$65,710 per annum, per family, be increased to \$100,000 to capture children of low to middle income families where one parent does not meet the activity test so that all of these children have the right to at least 30 hours a fortnight of subsidised ECEC.

Families with more than one child are currently entitled to a higher threshold under the Child Care Benefit. ACA holds significant concern for those families who again will experience increased financial pressure under the *Jobs For Families* package.

Income Thresholds

Recommendations:

- *That the Family Assistance Legislation Amendment (Jobs For Families Child Care Package) be amended to raise the lower gross income threshold from \$65,710 to \$100,000.*

²⁴ <http://www.news.com.au/finance/real-estate/buying/the-true-extent-of-australias-rising-property-prices/news-story/88fa34f997e4858c558e74c2c52cda40>

Child Care Safety Net

Additional Child Care Subsidy

ACA strongly supports the introduction of an Additional Child Care Subsidy (ACCS), which incorporates some aspects of the existing Inclusion Support Program, to provide targeted additional support to families by providing access to early childhood education and care for children who need it most. However, it is important that the definition of ‘at risk’ children is broad enough to ensure that no child “slips through the cracks”, and the circumstances and timeframes will vary markedly for each and every family. ACA requests that state and territory officials, as well as stakeholders, be engaged as a matter of urgency to ensure that the definition of ‘at risk’ is appropriate in a practical, administrative and legal sense, and is consistent across jurisdictions.

Children who are not yet considered to be ‘at risk of serious abuse or neglect’, but urgently require continuity of care and the benefits that early childhood education and care provides, may not align with any of the ACCS categories. These children require additional support to ensure their access to stable early childhood education and care is not reduced or removed altogether. For example, children living in homes where there is domestic violence, children living in women’s refuges, children of parents with drug addiction, children whose parents may be in the process of separating (whether acrimoniously or amicably) or children who may have a close family member with a terminal or debilitating illness, would still be experiencing major upheaval in their lives. These children would benefit considerably from the stability that early childhood education and care provides. It is not clear in the Bill whether additional support will be afforded to families in these types of circumstances.

Subsection 4 of the Bill, states that if the Secretary does not make a decision on an application for an ‘at risk determination’ within 28 days of receiving the application, the application is taken to be refused. Whilst ACA welcomes the introduction of a prescribed timeframe to encourage expeditious assessment of applications, we cannot support the requirement that applications that may require additional information or additional time to fully consider be deemed refused, rather than being the subject of additional time via a common-sense approach. Twenty-eight days is a long time in the life a child at risk.

ACA requests that a transition period be introduced to ensure that families whose access to ACCS is removed, do not face a ‘cliff’ whereby their child/ren may see their hours of attendance drop overnight after the assistance period expires. ACA suggests that a transitional period of approximately six weeks be introduced to allow families to adjust to any changes in their circumstances. It should be noted that the Productivity Commission recommended an exemption from the activity test for child-based assistance be granted for up to 18 months to avoid the withdrawal of the child after the family returns to mainstream assistance²⁵. ACA supports the recommendation made by the Productivity Commission.

²⁵ Productivity Commission (2014) *Childcare and Early Childhood Learning Overview and Recommendations* p29 <http://www.pc.gov.au/inquiries/completed/childcare/report/childcare-overview.pdf>

Child Care Safety Net Additional Child Care Subsidy

Recommendations:

- *That the Federal Government urgently engage state and territory officials and stakeholders regarding the practical, administrative and legal definition of ‘at risk’ children for the purposes of the Additional Child Care Subsidy.*
- *That Subsection 4 of the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015 is amended to ensure that “at risk” determination applications are not deemed refused if the prescribed 28-day timeframe lapses.*
- *That an activity-test exemption transition period of no less than six weeks be introduced for families transitioning from the Additional Child Care Subsidy to the Child Care Subsidy. That as per recommendation 15.5 of the Productivity Commission Report ACA propose that an automatic extension will be provided for children for whom there is a current child protection order. Additionally, families who have had a child assessed as ‘at risk’ for a period of 6 months or more would be exempt from the activity test for on-going ECEC services for this child for a further period of up to 18 months*
- *That an activity-test exemption transition period of no less than six weeks be introduced for families transitioning from the Additional Child Care Subsidy to the Child Care Subsidy*

Inclusion Support

In our recent submission in response to the draft guidelines for the new Inclusion Support Programme (ISP), we strongly opposed the withdrawal of ISP support for children in their year before school as per the requirements of the National Partnership Agreement on Early Childhood Education (‘Universal Access Agreement’). This contradicts the mores of inclusion and we urgently request an expedited review of this policy reform to ensure that children with additional needs are supported holistically.

We propose that ISP funding be streamlined with Universal Access via a national partnership arrangement to ensure consistency and equality of access across the states.

We are concerned about services that provide ISP through budget based funding. Given this funding envelope is being cut; these children will miss out altogether.

The current limit of ISP funding for a single child remains capped at 25 hours per week. In certain circumstances we are seeking an extension of up to 8 hours per day, upon application, for those children with high needs and in care for long hours. It should be recognised that the current model sees services absorbing the significant out of pocket costs

of providing ECEC for children with additional needs, effectively subsidising government's program. Children with additional needs are often in care for long hours to coincide with the workforce participation of their parents and travel time. Five hours of subsidy is not sufficient for children whose medical plan requires a high level of direct contact with the child. It is unreasonable for government to expect a service to fully subsidise the remainder of the day.

ACA strongly supports the upskilling of educators and improving service delivery for this specialised area as we believe that this will make for a better equipped workforce with less dependency on outside agencies. Educators are not trained through their required courses of study to provide the care necessary for children with high additional needs.

Inclusion Support

Recommendations:

- *ACA requests an injection of funding made specifically available for services to train all educators in advanced behaviour management techniques and in targeted high needs areas for other medical conditions.*

Community Child Care Fund

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 service available for that community. This needs to take into account consideration of ongoing rather than short term support.

Universal Access

In previous submissions in recent years, ACA has consistently requested that Universal Access (UA) funding be delivered as intended to all children regardless of the ECEC setting they attend. A number of states and territories have not distributed these federal UA funds in accordance with the intent that funding provide "access for all children to receive 15 hours of preschool delivered by a 4 year trained early childhood teacher, across a diversity of settings and in a form that meets the needs of parents"²⁶.

ACA requests that all children have access to a preschool program 15 hours per week, 40 weeks per year (as per CoAG's Universal Access Agreement²⁷), regardless of the activity test. The "quarantining" of the preschool attendance from the activity test until the end of the 2017 year is to be applauded and should be integral to future Universal Access programs.

Universal Access

Recommendations:

²⁶ https://www.coag.gov.au/sites/default/files/20081129_early_childhood_factsheet.pdf

²⁷ <https://www.education.gov.au/national-partnership-agreements>

- *That future UA funding be delivered in accordance of the original intent as stated in the National Partnership*

National Quality Framework Review

There is general concern that the NQF Review has been suspended until this package is fully implemented in July 2017. This review would have seen critical improvements including streamlining A&R and increasing efficiency for services. We urge the Government to expedite the recommendations from this review in order to benefit from these improvements as soon as possible.

The Decision RIS

The Decision RIS report from Early Childhood Australia (ECA) has not been made publically available, nor is a summary of the nearly 80 submissions received. It is difficult for the sector to fully understand the context of the final decision RIS without the summary report that contributed to the outcome. ACA has concerns about the lack of transparency of the RIS consultation outcomes.

The decision RIS also omits to detail the number of families likely to be affected by the reform package. Without the release of the information in the Decision RIS we cannot give blanket support to the Jobs For Families package.

The Decision RIS

Recommendations:

- *ACA calls on the Government to release the ECA report on the decision RIS; in the interest of transparency and cooperation with the Australian public and ECEC sector*

Nanny Pilot Programme

The budget allocation and community uptake for the Nanny Pilot program wasn't as strong as anticipated. We ask that that the surplus funding from this program be redirected into to support the implementation of our recommendations.

Nanny Pilot Programme

Recommendations:

- *ACA request that the surplus funding from this program be redirected into to support the implementation of our recommendations.*