

# Goodstart Early Learning

Submission to Senate Education and Employment Legislation  
Committee

Jobs for Families - Child Care Assistance Package

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29 January 2016

**goodstart  
early  
learning**

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## Table of Contents

1.	Executive summary	3
2.	Summary of Recommendations	5
	<b>PART A: Analysis against reform objectives</b>	9
3.	Context and objectives of the Jobs for Families Package	9
	<b>PART B: Consideration of the Bill in detail</b>	20
4.	Changes needed to improve access for vulnerable children	20
5.	Changes needed to support workforce participation	25
6.	Additional Child Care Subsidy	31
7.	Other Provisions in the Bill	37
8.	Other issues not addressed in the Bill	43
9.	Appendix 1	46

# 1. Executive summary

Learning habits and learning problems emerge early with lifelong effects. If a child is developmentally vulnerable when they start school, they are likely to start and stay behind their peers. Early learning gives every child the best possible start in life.

The 23 per cent of Australian children who start school developmentally vulnerable represents a significant long-term diminution of Australia's future human capital potential.

Getting the policy settings right for the Early Childhood Education and Care (ECEC) sector offers a significant opportunity for Australia to improve our national human capital potential well into the future with the added benefit of improving our productivity in the short term by promoting women's workforce participation.

Ensuring all children have access to quality early learning is in Australia's best long-term interests because investing in early learning now will increase our future productivity and make Australia's economy more competitive in the future.

Goodstart supports the Government's Jobs for Families Child Care Package and the supporting legislation. We believe the overwhelming majority of working families working more than 17 hours per fortnight will see improvements in their childcare affordability.

However, we remain concerned that under the Government's proposals, many thousands of vulnerable children have less access to early learning than they currently have because the Government prioritises workforce participation objectives for parents ahead of the development needs of children. Such an approach acts to perpetuate the cycle of disadvantage rather than break it.

In this submission, Goodstart considers the Jobs for Families Child Care Package and in particular the Child Care Subsidy (CCS) against the original objectives for the reforms and also considers the specific provisions of the Bill. As the largest provider of early learning and care in Australia, Goodstart has drawn on our experience and data covering the 71,500 children cared for in our 643 centres to test the practicality and consequences of the reforms.

This submission includes specific recommended changes and some clarifications necessary to ensure the final package meets the dual key objectives of supporting workforce participation for parents of young children and supporting children's learning and development.

In particular, the Senate must reject the proposal to slash the entitlement for vulnerable children from 24 hours of subsidised care per week to just 12 hours per week. Minor amendments are also needed to ensure vulnerable children maintain access to early learning for a full year, otherwise the children who most need access to early learning to break the cycle of disadvantage will dip in and out of eligibility through the year depending on their parents' circumstances.

The Bill also needs some minor amendments to ensure it is fair and flexible in meeting the needs of thousands of working families trying to juggle work responsibilities and raising very young children. As it stands, the Bill appears to create new barriers to participation for parents in casual or irregular work. It also creates tough cuts in entitlements for families who face unexpected changes in their circumstances. The Bill needs additional flexibility to ensure these hard working families have fair access to affordable childcare so they can accept paid work when it is offered and avoid the risk of running up large debts if circumstances beyond their control mean they don't meet the activity test.

We also make a range of other recommendations aimed at improving the implementation of the reforms and ensuring the package improves life outcomes for some of the most vulnerable children in our community, particularly children at risk of abuse and neglect and Aboriginal and Torres Strait Islander children.

Those recommendations which are likely to come with a modest additional cost can be funded from within the \$300M savings already made to the original package announced in May, or with modest reductions in the annual cap for very high income earners.

We would welcome the opportunity to present to the Senate Committee to discuss this submission and the likely consequences of the reforms.

## 2. Summary of Recommendations

1. **Goodstart recommends the Senate support additional investment in quality ECEC delivered through the Family Assistance Legislation Amendment (Jobs for Families Package) Bill 2015.** We believe with some minor amendments the Jobs for Families Package will deliver great outcomes for children as well as working families.
2. **Goodstart strongly opposes the proposal to slash by half the hours of subsidy available to low income families and recommends that the low-income entitlement must be increased to at least 30 hours per fortnight ensure vulnerable children have access to at least 2 days of early learning per week under the Government's low income safety-net.**
  - 2.1 **Goodstart opposes the cut in subsidised hours for low-income families from the 48 hours per fortnight they currently receive to 24 hours per fortnight, we recommend an increase in the low income entitlement to at least 30 hours per fortnight in order to ensure as many vulnerable children as possible can benefit from affordable early learning.**
  - 2.2 **Goodstart recommends that the legislation quarantine the 24 hour entitlement for the full financial year so that families do not incur debts or experience sudden cuts in their entitlements if their estimated annual income goes above \$65,710 at any time throughout the year.** This approach strikes a fair balance by quarantining the eligible hours of CCS for the full year, while still allowing the CCS rate or percentage to be reconciled at the end of the year based on final annual income. Under the current system a gradual taper ensures children do not dip in and out of eligibility through the year.
  - 2.3 **In the event that the 24 hours is not quarantined for the full financial year, Goodstart recommends that families have access to a six week 'change in low income entitlement' transitional provision that would apply where families have an increase in their income that leaves them no longer eligible for the low-income entitlement.** A six week period would provide continuity of care for children and would also provide adequate time for families accessing the low-income entitlement to adjust their circumstances so they could meet the activity test. Without this a provision, vulnerable children will potentially dip in and out of eligibility through the year as parents are required to notify the Government of any changes that are likely to result in a change in their entitlements. If the subsidy is not quarantined for the full year, this arrangement would be absolutely necessary to deal with the 'entitlement cliff' created by the blunt \$65,710 income cut-out.
3. **Goodstart recommends some minor amendments to ensure the system is fair for parents engaged in irregular work and does not leave them with inadequate child care subsidy to meet their work commitments, or higher childcare costs.** The current subsidy system is very efficient at supporting low and middle-income families with at least one parent in irregular work because it provides a broad base entitlement and a very simple activity test. The new system is more targeted but inadvertently creates barriers to work for families where at least one parent does not have secure, regular employment.
  - 3.1 **Goodstart recommends that a reporting methodology is adopted that allows all casual workers or part-time workers with irregular hours to estimate their expected activity and childcare needs over six fortnights.** This will ensure these workers have access to enough childcare subsidy to support their ongoing engagement in the workforce, including in fortnight where less work is offered than they expected.
  - 3.2 **Goodstart recommends that the Senate confirms that all types of approved activity can be combined to meet the steps of the activity test.** This will provide opportunities for parents in

irregular work to undertake a range of activities like volunteering in addition to paid work to ensure they meet the activity test.

- 3.3 **Goodstart recommends increasing the first step of the activity test from 36 hours per fortnight to 40 hours per fortnight to ensure working families in this category don't end up with higher out-of-pocket costs than they have now.** It appears that some low-and-middle-income earners would actually have higher costs than they do now because 36 hours per fortnight of the new subsidy is not as generous as the current subsidy system.
4. **Goodstart recommends supporting participation through recognising all forms of volunteering because this will recognise the valuable contributions parents make to the community.**
  - 4.1 **Goodstart recommends that all voluntary work, including volunteering in the community or volunteering that improves parenting skills should meet the activity test as is the case currently.**
  - 4.2 **Goodstart recommends that that voluntary work should be able to be combined with any other type of approved activity to calculate total hours of activity for the activity test, with a minimum entitlement of 36 hours of subsidy per fortnight where volunteering is the only activity undertaken.**
5. **Goodstart recommends that minor amendments are necessary to ensure the system is flexible for families and helps them to avoid debts when their circumstances change.**
  - 5.1 **Goodstart recommends that families can access six week 'exceptional circumstances' transitional provision where families have sudden and unexpected changes in their circumstances which would result in a reduction in their hours of subsidised care.** A six week period would provide continuity of care for children and would also provide adequate time for families to adjust to sudden changes in their circumstances without losing access to their child care subsidy. This will be important in circumstances such as: unexpected job loss, reductions in work hours, or a decrease in paid work to meet other commitments that are not recognised activities like short-term caring for a sick or terminally ill family member. This exemption will be particularly important given the highly automatised IT system proposed by the Government and the lack of a broad base entitlement to subsidy.
  - 5.2 **Goodstart recommends clarifying the process for retrospective applications of reductions in the activity test result.**
6. **Goodstart recommends that all families with a child with a disability and in receipt of Carer Payment or Carer Allowance should continue to be eligible for subsidy as per the current arrangements.**
7. **Goodstart recommends confirming that an additional exemption category for families if their child is attending a preschool or kindergarten program in a child care service with the exemption to apply for 600 hours per year to reflect Universal Access to Preschool program requirements and that these hours will be in addition to any low-income result or other Child Care Subsidy entitlement.**
8. **Goodstart recommends clarifying the policy intent for key Ministerial Determinations as soon as possible so the impacts on children and families can be considered:**
  - 8.1 **Goodstart recommends that the Senate Committee review drafts of the key proposed Ministerial Determinations and / or clarify the policy intent where possible so Senators can make an informed assessment of the real world impacts of the changes on children, families and services.**
  - 8.2 **This would include key determinations relating to definitions of approved activity, exemptions and other components of subsidy eligibility and reconciliation. Where these cannot be provided the issues could be clarified through simple amendments.**

9. Goodstart recommends that it is clarified that service may have different 'sessions of care' at a particular service.
10. Goodstart recommends that an additional consultation mechanism is established with services to progress the development of the new ICT system.
11. Goodstart recommends that in the event that the new ICT system is not ready to implement the new subsidy from 1 July 2017, then families must receive additional fee relief by increasing the rate of the existing Child Care Benefit and increasing the Child Care Rebate annual cap by reallocating the available investment for the new Child Care Subsidy.
12. Goodstart has a series of recommendations to ensure children at risk of abuse or neglect are supported to access ongoing affordable early learning and care under the proposed changes.
  - 12.1 Goodstart recommends that the definitions associated with at risk of abuse or neglect outlined through determinations are at least as broad as they are under the current Special Child Care Benefit (SCCB) Guide and are not limited to more narrow state and territory definitions where they exist.
  - 12.2 Goodstart recommends maintaining a 13 week provider approval process (or two step 6 and 7 week provider approval process) as we believe this length of time is needed to make an adequate assessment about the child's risk and to gather the necessary evidence for further approvals. Alternatively, we seek assurances that a child's access will not be cut at six weeks if there are delays in state agencies responding to request for information.
  - 12.3 Goodstart recommends that evidence provided for the new ACCS – at risk should continue to recognise that the existing evidence for the SCCB as well as new evidence sources.
  - 12.4 Goodstart recommends that reference to the parent's post ACCS Activity Test result should be formally considered before an application is refused, and, where the activity test result is likely to be zero there should be the opportunity to apply for a special circumstances exemption to maintain some access of care for the child before access to subsidy is cut off.
  - 12.5 Goodstart recommends a change to the Secretary's decision process to ensure continuity of early learning for children at risk in the event that a decision is not made. We commend the inclusion of decision timeframes, however given the very vulnerable nature of children at risk of abuse or neglect, we believe that the absence of a decision after 28 days should not automatically result in a deemed refusal.
  - 12.6 Goodstart recommends that the overall regulatory and administrative burden associated with the new ACCS – Child at Risk should be tested against the existing process for children at risk and should be less burdensome on families and services and should have increased flexibility compared to the current process.
  - 12.7 Goodstart recommends annual public reporting on expenditure and access to ECEC for children at risk to allow better sector and community wide understanding of trends and issues.
13. Noting the Government's intention that this should be administered by DHS in future, Goodstart requests that the terms of the Ministerial Determination for temporary financial hardship be clarified as soon as possible to provide clarity around the definitions for eligibility for temporary financial hardship. It will be important to ensure the new process is simple for families in crisis to navigate.
14. Goodstart supports the Government's intention to broaden eligibility for the Transition to Work subsidy and recommends that the eligibility requirements for ACCS – Transition to Work are clarified through the Ministerial Determinations as soon as possible. We strongly support maintaining additional childcare support for parents moving off income support payments.

- 15. Goodstart recommends that all vulnerable children, particularly those from Aboriginal and Torres Strait Islander communities must not experience reduced access or increased fees to access to ECEC under the proposed changes.** Ensuring these children are not worse-off will be absolutely critical given the proposed changes from block funding to the mainstream subsidy system. There is a real risk that the impacts of tougher activity test will further disadvantage some of the most vulnerable children in our nation.
- 16. Goodstart recommends clarifying that additional fee relief only be applied to subsidies provided by a Government or Government agency that are provided specifically to reduce an individual child's out-of-pocket costs.** Goodstart recommends that the implementation of this provision is further considered in consultation with the sector to ensure there aren't any unintended consequences that result in an increase in the out-of-pocket costs for vulnerable children and families.
- 17. Goodstart also makes the following administrative recommendations to ensure the new subsidy will be sensible and does not increase regulatory burden:**
  - 17.1 Goodstart recommends amending section 204B [6] to increase the length of time a service can amend historical attendance records in the child care system from 28 days to 56 days in order to ensure there is adequate time to collect and verify information and to allow time for interactions with the transitional arrangements within other parts of the Bill**
  - 17.2 Goodstart recommends clarifying section 67CB to make clear that once a child is assessed as eligible, the subsidy will be paid from the date of application, not the date of approval.**
  - 17.3 Goodstart recommends clarifying section 201B to provide some guidance around what the department considers to be 'all reasonable steps'.**
  - 17.4 Goodstart notes that given the complexity associated with the amendments to the administration Act, other recommendations may be provided before the Committee reports.**



## PART A: Analysis against reform objectives

### 3. Context and objectives of the Jobs for Families Package

#### Context for the package

In 2013, the then Treasurer delivered on a pre-election commitment and directed the Productivity Commission to conduct an inquiry into childcare and early learning. In establishing the inquiry, the Government outlined four key objectives for reform.

“The Australian Government’s objectives in commissioning this Inquiry are to examine and identify future options for a child care and early childhood learning system that:

- supports workforce participation, particularly for women
- addresses children’s learning and development needs, including the transition to schooling
- is more flexible to suit the needs of families, including families with non-standard work hours, disadvantaged children, and regional families
- is based on appropriate and fiscally sustainable funding arrangements that better support flexible, affordable and accessible quality child care and early childhood learning.”<sup>1</sup>

The Government responded to the Productivity Commission Inquiry Report in the May Budget last year with the Jobs for Families Child Care Package. At the time Goodstart warmly welcomed the \$4.4 billion additional investment and noting that the overwhelming majority of working families were likely to experience improvements in their out-of-pocket costs for childcare. The package was revised late last year when the enabling legislation was introduced, with the key change being a reduction in subsidies for very high income earners.

#### Objective One – support workforce participation, particularly for women.

Investing in early childhood education and care will improve workforce participation outcomes, especially for women. This is an area where Australia need to improve.

##### Australia has low female workforce participation

While female workforce participation has been rising in Australia over the last four decades, it remains low for mothers of young children. While 95% of fathers with child aged 0-4 years are in the workforce just 54% of mothers of children of the same age are employed.<sup>2</sup>

In Australia, mothers generally return to the workforce when their children reach school age. The workforce participation rate of Australian mothers with school aged children slightly above the OECD average. However the participation rate for mothers with their youngest child aged 0-4 years (51% in 2011) was significantly below the OECD average and well below Denmark (78%), Netherlands (74%), Canada (70%), Israel (68%), Germany (62%) and the United Kingdom (60%).<sup>3</sup> This suggests that there are barriers to participation in work for mothers of young children.

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<sup>1</sup> Media release from the Prime Minister, Treasurer and Assistant Minister for Education establishing the inquiry 17/11/2013, also incorporated into the Terms of Reference of the Inquiry.

<sup>2</sup> PC 2014 Final Report p. 190

<sup>3</sup> OECD Family Database LMF 1.2 Maternal Employment charts. All other OECD countries report for mother with the youngest child aged 0-5 years, while Australia reports with youngest child aged 0-4 years.

## Availability and affordability of childcare are barriers to female workplace participation

ABS research on barriers to work clearly identifies the availability and affordability of childcare as key impediments to many women either entering the workforce or to increasing their hours.<sup>4</sup> Australian research has found that mothers of young children – particularly those who are part of a low income family are sensitive to changes in net child care prices (i.e. out-of-pocket costs after childcare subsidies) in making their employment decisions.<sup>5</sup> The Productivity Commission also found that secondary income earners, usually mothers are faced with very high effective marginal tax rates. Improvements in child care affordability will help to reduce the financial disincentives to work generated by Australia’s tax transfer system.

Investment in child care subsidies has yielded positive results in the past. There have been four major changes to childcare assistance in Australia in the past 25 years, followed by four of the five largest annual increases in the workforce participation rate of married women aged 25-44 years in the year immediately following.<sup>6</sup> Those four years account for 60% of the entire increase over the last 25 years in workforce participation of married women aged 25-44 years. The data strongly suggests that that Australian women are very responsive to changes in net childcare costs flowing from increases in childcare assistance.<sup>7</sup>

Quantitative research undertaken for the Department of Social Services found that 24% of families with children under twelve, both in and out of work, would be encouraged to work more as a result of the Government’s proposals to increase childcare assistance. When announcing the childcare package in 2015, then Minister Morrison suggested that: “Based on 2011 Census data, this would translate to around 240,000 families being encouraged to increase their involvement in paid employment. The total number of families encouraged to work would also include almost 38,000 jobless families, where no-one is in work.”<sup>8</sup>

Similarly, a quantitative survey of more than 3,000 families conducted by BuzzResearch for Goodstart in January 2015 found that:<sup>9</sup>

- 92% of parents working part-time identified issues relating to childcare as a barrier to their personal increased participation in the workforce.
- 63% said the cost of childcare had a strong influence in their decision not to work more hours.
- If the issues relating to childcare were addressed, 41% of those currently working part-time would look to work more hours, as would 33% of those not working at all.

Based on this evidence and contemporary international approaches to women’s policy, improving child care affordability and removing financial disincentives to work is likely to have a positive impact on women’s workforce participation. An important part of achieving a positive workforce participation result will be applying a sensible activity test and ensuring that the design of the subsidy supports transitions within the subsidy. Otherwise there is a risk that childcare policy will inadvertently create barriers to participation. This submission includes some minor amendments to address these risks.

## Improving female workforce participation will have a positive impact on GDP

Measures to improve women’s workforce participation are worth pursuing, even in a time of fiscal constraint. The Grattan Institute found that if Australia increased its female workforce participation rate to that of Canada (which is 6% higher), our GDP would be increased by \$25 billion.<sup>10</sup>

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4 ABS 6239.0 Barriers and Incentives to Labour Force Participation Nov 2013

5 Gong X and Breunig (2012) “Estimating net childcare price elasticities of partnered women with preschool children using a discrete structural labour supply-child care model” Treasury Working Paper Nov 2012 Canberra

6 The fifth occurred in 2011 which was evidently a correction in the large reduction in workforce participation following the GFC in 2010, but could also have been influenced by the introduction of the Commonwealth Paid Parental Leave scheme in January 2011.

7 Gong X and Breunig (2012) *ibid*

8 Hon. Scott Morrison Ministerial Media release 10th May 2015: <http://www.formeministers.dss.gov.au/15859/job-for-families-child-care-package-delivers-choice-for-families/>

9 BuzzResearch (2015) “Childcare and Workforce Participation Survey” report to Goodstart February 2015. Sample size: 3105 families.

10 Daley J (2012) “Game-changers: economic reform priorities for Australia” Grattan Institute June 2012 p. 39

Experience shows it can be done: the Canadian province of Quebec, faced with one of the lowest female participation rates in Canada in 1997 initiated a policy of subsidizing childcare to a net price of just \$5 a day. More than 70,000 mothers joined the workforce and a decade later Quebec had the highest level of workforce participation in Canada. Economic modelling found the reforms paid for themselves, with Government receiving \$1.51 in additional tax revenue and savings on social welfare for every \$1 paid in childcare subsidies.<sup>11</sup>

The Productivity Commission in its 2014 report on early learning and childcare also identified that even modest increases in ECEC subsidies would create many thousands of new jobs and boost GDP by around \$1.3 billion.<sup>12</sup>

## **Objective Two: address children’s learning and development needs, including the transition to school**

### Access to early learning improves children’s learning and development outcomes

There is significant evidence that children’s participation in high-quality early learning and care improves school readiness and addresses developmental vulnerabilities.<sup>13</sup>

Substantial investments are made by tax payers in Early Childhood Education and Care (ECEC) in Australia and around the globe because it delivers a return on investment in terms of children’s outcomes as well as a return on investment in terms of female workforce participation.

OECD data shows that the benefits of access to early learning persist throughout schooling – PISA<sup>14</sup> test scores of 15 year olds showed children who had attended pre-primary education for more than one year scored 53 points higher than those who had not. The same OECD report found that Australia had the 6<sup>th</sup> lowest participation rate of children in pre-primary education for more than one year.<sup>15</sup>

International studies in literacy and numeracy of primary school children have also found higher test scores for children who attended 3 or more years of pre-primary education. Again, Australia was one of the countries with the lowest levels of participation in early entry to pre-primary education.<sup>16</sup> Further, a long-running study of the educational experiences of children in England recently reported that 16 year olds who had attended more than two years of quality preschool (compared to none) scored on average 51 points higher on their final GCSE exams, which is the difference between getting eight ‘B’ grades versus eight ‘C’ grades.<sup>17</sup>

***“A growing body of research recognises that early childhood education and care (ECEC) brings a wide range of benefits, for example, better child wellbeing and learning outcomes as a foundation for lifelong learning; more equitable child outcomes and reduction of poverty; increased intergenerational social mobility; more female labour market participation; increased fertility rates; and better social and economic development for the society at large. But all these benefits are conditional on ‘quality’.”<sup>18</sup>***

**OECD Starting Strong 3 review of early learning**

11 Fortin P, Godbout, L & St Cerby, S 2012 ‘Impact of Quebec’s Universal Low Fee Childcare Program’, Working Paper, University of Sherbrooke, Quebec.

12 PC 2014 pp. 667-685, PC (2014) Draft Report pp 2

13 Melhuish, E., Erey-Stevens, K., Petrogianni, K., Ariesou, A., Penderi, E., Rentzou, K., Tawell, A., Slot, P., Broekhuizen, M., & Leseman, p. (2015). A review of research on the effects of early childhood education and care (ECEC) upon child development. Brussels, European Commission pp 25-38 <http://ecec-care.org/>

14 PISA: Program for International Student Assessment

15 OECD 2013 “PISA 2012 Results in Focus” p.12

16 <http://timssandpirls.bc.edu/>

17 <https://www.gov.uk/government/news/children-who-have-early-education-get-higher-gcse>

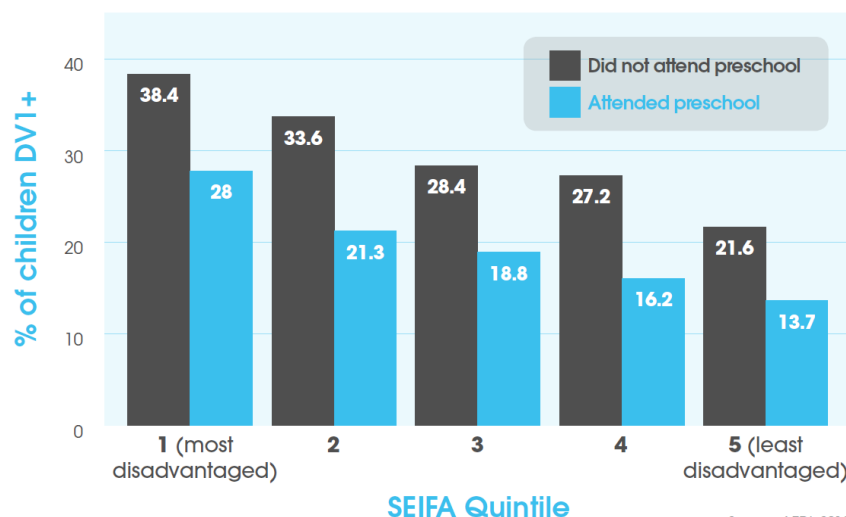
18 OECD 2012 “Starting Strong III: A Quality Toolkit for Early Childhood Education and Care” <http://www.oecd.org/edu/school/startingstrongiii-aqualitytoolboxforearlychildhoodeducationandcare.htm>

## Australian evidence shows that access to early learning can reduce disadvantage

Evidence from the Australian Educational Development Census shows that around 23% of children entering Year One are developmentally vulnerable. Children who start school behind all too often never catch up, and will leave school without the skills necessary for an effective transition to the workforce.

The AEDC also found that children from the lowest income quintile were twice as likely to start school developmentally vulnerable as children from the highest quintile. However, if they have accessed a preschool program, the level of vulnerability reduces by about one third.<sup>19</sup> This effect is summarised in the graph below.

### IMPACT OF PARTICIPATION IN PRESCHOOL ON LEVELS OF DEVELOPMENTAL VULNERABILITY 2012

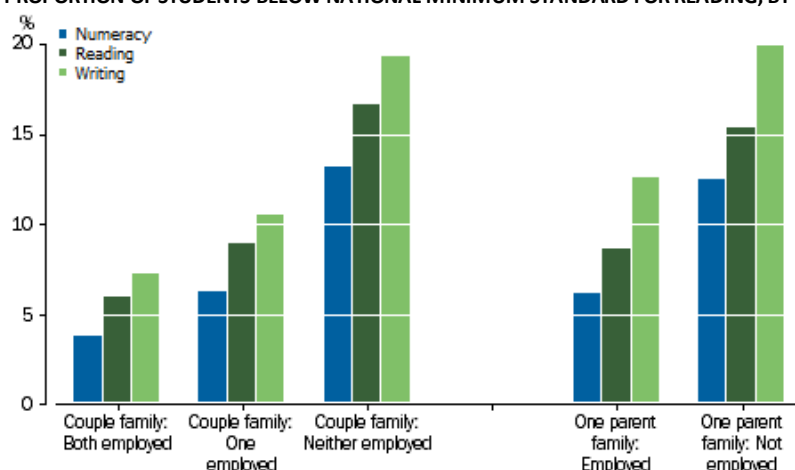


Source: AEDI, 2012.

In a data matching exercise, the ABS compared Census data and NAPLAN scores for students in Queensland and with AEDC data in Tasmania.<sup>20</sup> It found that:

- children from low Socio-Economic Indexes for Areas (SEIFA) communities were far more likely not to meet minimum NAPLAN reading scores
- children with both parents employed performed considerably better on NAPLAN numeracy, reading and writing tests than those where one or both parents were not employed

### PROPORTION OF STUDENTS BELOW NATIONAL MINIMUM STANDARD FOR READING, BY PARENTS' EMPLOYMENT STATUS



Source ABS 2014: Data is for Queensland government school students

<sup>19</sup> Australian Educational Development Census 2012 [www.aedc.org.au](http://www.aedc.org.au)

<sup>20</sup> ABS 4261.3 - Educational outcomes, experimental estimates, Queensland, 2011

The ABS study of Tasmanian children matching AEDC data with census data found:

- families with at least one parent employed were the most engaged with the school and more likely to regularly read to their child at home
- children from double income families were less likely to start school developmentally vulnerable than children from single income or non-working families.<sup>21</sup>

Collectively, these studies and AEDC trends highlight the importance of ensuring that children from low income; single income and non-working families benefit from access to early learning to ensure that they have the best possible start to life by being ready for school.

A recent Essential Media poll of community attitudes shows that there is strong support for maintaining access to early learning for children from disadvantaged backgrounds:<sup>22</sup>

- The UK and NZ offer all children over 3 years 20 hours of early learning each week – our Government should do the same (62% of respondents agree or strongly agree)
- It's not fair of the Government to cut access to early learning for kids in lower income families (67% of respondents agree or strongly agree)
- Children from disadvantaged families should be supported into childcare and early learning (70% of respondents agree or strongly agree)
- Denying childcare and early learning to children who come from disadvantaged families will only continue the cycle of disadvantage (68% of respondents agree or strongly agree).

### However, the children who would benefit most from early learning are least likely to attend

There is strong evidence that children from disadvantaged backgrounds benefit most from access to early learning.<sup>23</sup> These children are also the least likely to attend. ABS data on preschool attendance shows that children from non-working households were five times more likely *not* to attend preschool as children from households where both parents work.<sup>24</sup>

Changes to the ECEC sector which make it harder for children from non-working or disadvantaged families to access early learning will simply perpetuate intergenerational disadvantage, unemployment and poverty.

### Will disadvantaged children retain access to subsidy in the new system?

Goodstart welcomes the provision of the low income safety-net which will provide 24 hours of Child Care Subsidy (CCS) per fortnight for families with incomes below \$65,710. However, we have consistently expressed concern that 12 hours per week will be inadequate and will limit opportunities to the children who would benefit most.

#### **Distributional Impacts**

Government recently released analysis of the impacts of the reforms on the 250,000 families using childcare with an income of less than \$65,000. The analysis showed 52,100 would be worse off - 21% of low-income families. We expect this is the impact of the cut in subsidy from 24 hours per week to just 12 hours per week. 81,000 families would have no change meaning they won't benefit from improved affordability under the reforms and 104,100 would be better off. 12,800 would have an unknown impact.

A further 55,700 families earning between \$65,000-\$170,000 would be worse off.<sup>25</sup>

<sup>21</sup> 4261.6 - Educational outcomes, experimental estimates, Tasmania, 2006-2013

<sup>22</sup> Essential Media, The Essential Report – Childcare, January 2016 n=1,028, Commissioned by Goodstart

<sup>23</sup> Productivity Commission (2014) "Childcare and Early Learning Report" p 180

<sup>24</sup> ABS cat. No. 4402 Childcare Education and Care Australia, June 2014

<sup>25</sup> Northern Territory News 30/1/2016 "Majority win in care fix"

## Is the low-income safety-net of 12 hours per week enough to make a difference?

Goodstart strongly opposes the reduction in the base entitlement for access to childcare from 24 hours a week to 12 hours a week. 12 hours per week is simply not enough time in early learning to make a difference to children's developmental outcomes. This position is supported by both by research and by the experience of our educators.

In much of the OECD, children in most advanced economies are more likely to attend early learning for five days a week, with the debate focused on whether 'full time' (i.e. 30 hours a week) or 'half time' (i.e. 15 hours a week) is an optimal 'dosage', particularly for kindergarten. OECD data found that in 2010, Australian 3 year olds had the third lowest dosage in childcare (18 hours a week compared to 30 hours across the OECD countries). Indeed, OECD data found that Australian 3 year olds had the third lowest average weekly attendance (18 hours week) in early learning of 35 reporting countries, with children attending for more than 28 hours in 25 out of 35 countries, including Korea, Poland, Denmark, Sweden, France, the USA, Chile, Italy and Belgium.

Much of the evidence about 'dosage', or the minimum length of time a child needs to attend early learning, relates to the issue of half-day versus full-day kindergarten. In England the seminal study on the long term impact of access to early learning found that five days of half-day provision (i.e. 15 hours a week) was the minimum necessary to make a difference to children's outcomes.<sup>26</sup>

One of the key authors of that report, Professor Edward Melhuish, in a recent article, argued that:

***"In the UK, perspectives have changed radically since 2004, driven by evidence on the value of early education. A Labour government introduced 15 hours of free nursery hours to all children from their third birthday. Fifteen hours was found to be most effective for improving child development for the general population, although children from disadvantaged families can benefit from more hours."***<sup>27</sup>

***Professor Edward Melhuish***

## International evidence suggests 12 hours a week would be inadequate

There are a number of studies showing that longer hours of access to early learning makes a significant difference to learning outcomes for children, particularly disadvantaged children. Key findings are summarised over the page.

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26 Pam Sammons "Does Preschool make a difference?" 92:113 at 100 in Sylva, K., Melhuish E, Sammons P, Siraj-Blatchford I and Taggart B (2010) "Early Childhood Matters: Evidence from the Effective Preschool and Primary Education project" Routledge New York

27 <http://www.theguardian.com/commentisfree/2015/sep/29/australia-should-follow-the-research-and-provide-free-universal-childcare> Edward Melhuish "The Guardian" 29/9/2015

#### Key Findings:

- Provision of full day kindergarten had a positive impact on academic achievement on children from American racial minority groups,<sup>28</sup> and resulted in ongoing and persistent effects on language and conceptual knowledge for disadvantaged children.<sup>29</sup>
- An analysis of data from the US Early Childhood Longitudinal Study (ECLS) found that children who attended a childcare centre at least 15 hours a week experienced significant cognitive gains. For the low-income group, only children who attended a centre for more than 30 hours experienced significant gains in pre-reading skills.<sup>30</sup> Another ECLS study found that all-day kindergarten children began school with higher scores and showed faster growth rates in both reading and maths compared with half-day kindergarten children.<sup>31</sup>
- A Swedish study found that a longer duration of ECEC attendance before the age of four was related to enhanced cognitive and language development, and argued that longer duration was particularly beneficial for disadvantaged children.<sup>32</sup>
- A Tasmanian study found that reading, numeracy and overall test scores were significantly higher among children who had attended full-day sessions of kindergarten the previous year than half time kindergarten.<sup>33</sup>
- A Canadian study found that the proportion of children starting school developmentally vulnerable fell from 25% to 21% for children who attended full time rather than part time kindergarten.<sup>34</sup>

#### Australian evidence also supports greater hours of access

Australian evidence tends to draw heavily from the Longitudinal Study of Australian Children (LSAC). This study, which tracked two waves of children born in 1999-2000 and 2003-4, was influenced by the lower level of quality evident in Australian childcare prior to the rollout of the National Quality Framework reforms which commenced in 2010. Nevertheless, LSAC studies on impact of access of childcare on later child outcomes tend to support moderate as opposed to low dosage early learning as optimal. Key findings are summarised below.

- Children who spent moderate hours in ECEC (9-30 hours a week) had higher early literacy and numeracy scores than those with low hours (0-8 hours), but scores dropped for children with more than 30 hours.<sup>35</sup>
- Children with medium childcare usage had better outcomes at age 3-4 years than children with patterns of either low or high childcare use, or no childcare use at all. For the socio-emotional outcome, after controlling for a wide range of other characteristics, medium use in formal care had a statistically insignificant advantage over low, high or no use of childcare, but only medium and high informal care use had a statistically significant positive effect.<sup>36</sup>

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28 Chang, M. (2012). Academic performance of language-minority students and all-day kindergarten: a longitudinal study. *School Effectiveness and School Improvement*, 23(1), 21-48

29 Frede, E., Jung, K., Barnett, S., & Figueras, A. (2009). Abbott Preschool Program Longitudinal Effects Study (APPLES) preliminary results through 2nd Grade. Interim Report. National Institute for Early Education Research

30 Loeb, S., Bridges, M., Bassok, D., Fuller, B., Ruberg, R. (2007), How Much is too much?, 'The influence of preschool centers on children's social and cognitive development, *Economics of Education Review*, 26, 52-56

31 Chang M Singh K (2008) Is All-Day Kindergarten Better for Children's Academic Performance? Evidence from the Early Childhood Longitudinal Study *Australian Journal of Early Childhood*, v33 n4 p35-42 Dec 2008

32 Melhuish, E., Erekly-Stevens, K., Petrogiannis, K., Ariescu, A., Pender, E., Rentzou, K., Tawell, A., Slot, P., Broekhuizen, M., & Leseman, p. (2015). A review of research on the effects of early childhood education and care (ECEC) upon child development. Brussels, European Commission pp 25-38 <http://ecec-care.org/>

33 Margot Boardman (2005) "Positive Gains in Kindergarten for Full-Day Children" Australian Association for Research in Education Conference Paper

34 Ontario Ministry of Education (Oct 2013) "A Meta Perspective on the Evaluation of Full Day Kindergarten during the First Two Years of Implementation"

35 Harrison L, Ungerer J, Smith G, Zubrick S (2009) "Childcare and early education in Australia: The Longitudinal Study of Australian Children" *DSS Social Policy Research Paper No 40* p. 152

36 Houg B, Jeon S H & Kalb G (2011) "The effects of childcare on child development" Melbourne Institute of Applied Social and Economic Research, May 2011 at p 51

- Children who attended preschool for 21+ hours had higher educational outcomes (particularly in maths and literacy) than those who attended for 11-20 hours, which was higher than those who attended for less than 11 hours. However, this finding did not hold for children in childcare only and could be influenced by the risk profile of the children.<sup>37</sup>
- Children at age 7 who had greater duration and intensity of exposure to centre ELEC settings demonstrated heightened fluid intelligence but also decreased behavioural functioning across multiple realms and reporters, although the effects were small.<sup>38</sup>

A Melbourne Institute study based on LSAC found that medium-intensive usage of childcare (15 to 29 hours) was of particular benefit to boys in terms of educational outcomes and least harmful (compared to low and high usage) for girls, allowing for lagged learning. In terms of social and emotional development, medium-intensive usage was most beneficial for girls and also beneficial for boys, but with low usage having a statistically insignificant advantage.

In terms of improving access to early learning, the authors concluded:

***“The first step needs to be encouraging disadvantaged families to make use of high-quality child care. Disadvantaged families currently appear to make less use of formal child care than advantaged families. Although other factors could play a role as well, this means that ensuring that this type of child care is affordable to these families is important given the low incomes of these families.”<sup>39</sup>***

The finding by the Melbourne Institute study that boys in particular benefit from access to at least 15 hours of early learning is significant when considered with evidence from the Australian Educational Development Census that boys are twice as likely as girls to start school developmentally vulnerable (14.8% of boys were developmentally vulnerable on two or more of the AEDI domains compared to 6.8% of girls in 2012).<sup>40</sup>

### Could six hour sessions work in practice?

As the nation’s largest provider of early learning and care, our experience tells us that twelve hours of access to early learning per week is simply not enough to make a difference in children’s lives. This is particularly the case in a long day care environment where 12 hours of subsidy, in most circumstances, equates to one daily session a week.

However, even if the 12 hours of subsidy was offered over two six-hour days, it would not be adequate time to conduct an effective quality early learning program as:

- Part of the subsidised hours would include pick up and drop off, which is not ‘stop and drop’ like school, but involves educators settling a child in, and giving a verbal report to the parents at the end of the day to reinforce learning at home.
- Young children need to be assisted to go to the toilet, need a rest and take longer to eat meals than school aged children which further detracts from structured or planned learning contact time.
- Teachers and group leaders need preparation time, professional development time and admin time which also needs to be funded from subsidised hours.
- Comparison with school opening hours is also not appropriate as schools are funded by the place rather than hours of attendance. In FY2013, government primary schools received around \$70 per child per day in funding.<sup>41</sup> By contrast, the proposed maximum base entitlement for childcare subsidy will be substantially less, in FY2014 terms around \$47 a day, despite substantially higher educator to child ratios.<sup>42</sup>

37 Biddle N, Seth-Perdie R. (2013) “Development Risk Exposure and Participation in early childhood education: how can we reach the most vulnerable children?” Australian National University research paper

38 Coley R, Lombardi C, Sims J (2015) Long-Term Implications of Early Education and Care Programs for Australian Children, Journal of Educational Psychology, Vol. 107(1), Feb 2015, p 284–299

39 Kalb G, Tabasso D and Zakirova R (2014) “Children’s participation in early childhood education and care, and their developmental outcomes by Year 5: A comparison between disadvantaged and advantaged children” Melbourne Institute of Applied Social and Economic Research May 2014 at p.8

40 “Australian Early Development Index 2012 National Report” www.aedc.org.au p. 24

41 Figure from Productivity Commission 2015 “Review of Government Services”, divided by 200 school days

42 Benchmark fee of \$9.20 per hour in FY2014 terms, at maximum 85% subsidy rate for 12 hours and 52 weeks, then divided by 104 days of service



There are other operational issues that indicate that 12 hours per week would be inadequate:

- In order to be affordable and financially viable, to deliver two high quality six hour sessions of early learning would require more than six hours of funded session time
- The hourly fee for a shorter session will need to be higher than a longer day care session to recoup fixed costs
- Commercial reality dictates that shorter sessions are likely only to be offered where there was no demand from families for longer sessions. It would be very difficult to 'sell' the remaining six hours of the day
- Goodstart is committed to meeting the needs of vulnerable children and working to develop a new 'shorter-session' service, however we remain convinced that 12 hours is simply not enough to deliver learning outcomes for children.

### Why 15 hours is the right solution

Reflecting upon the research, international trends and the fact that Australian children were accessing substantially fewer hours of early learning than most developed countries, the Council of Australian Government (COAG) agreed in 2008 to increase the universal entitlement for preschool in the year before school from 10 to 15 hours.<sup>49</sup>

Goodstart believes that the 15 hours agreed to by COAG in 2008 for preschool and applied by the United Kingdom Government from two years of age is the minimum that should be countenanced for any reform of the base entitlement to early learning.

In the longer term, Australia should follow the lead of the UK, New Zealand and most European countries and offer at least two days free early learning to all children. Such a major economic innovation will help boost workforce participation and importantly, more children will start school ready to learn, and finish school ready to work.

### Australia risks being left behind

If the Government's legislation be implemented to cut the base entitlement to early learning for low income children, Australia's childcare policy will be heading in the opposite direction to most of the developed world<sup>43</sup>.

- The United Kingdom is offering 15 hours a week of fully funded early learning to all children aged 3-5 years, and 40% of the most disadvantaged 3 year olds;<sup>44</sup>
- New Zealand offers 20 hours a week of free early learning for all 3-5 year olds;<sup>45</sup>
- The Canadian province of Ontario now offers 30 hours a week of free early learning for 4-5 year olds in the two years before school;<sup>46</sup>
- Israel offers 30 hours a week of free kindergarten for 3-5 year olds<sup>47</sup>;
- Most Western European countries offer free or heavily subsidised early learning for all children from aged 3 years, and sometimes earlier.<sup>48</sup>

**12 hours early learning per week is simply not enough to make a difference to children's lives. The Government should not slash the base entitlement from 24 hours per week to just 12 hours per week. The low-income safety-net must be increased to at least 15 hours per week (30 hours per fortnight).**

43 Economist Intelligence Unit 2012 "Starting Well: Benchmarking early education across the world"

44 <https://www.gov.uk/help-with-childcare-costs/free-childcare-and-education-for-2-to-4-year-olds>

45 <http://parents.education.govt.nz/early-learning/early-childhood-education/20-hours-ece-2/>

46 <http://www.edu.gov.on.ca/childergarten/index.html>

47 <http://www.haaretz.com/israel-news/israel-cabinet-approves-free-education-plan-for-children-over-age-of-three-1.406183>

48 OECD 2006 "Starting Strong II: Early Childhood Education and Care"

49 COAG "National Partnership Agreement on Early Childhood Education" December 2008

### **Objective 3. ECEC is more flexible to suit the needs of families, including families with non-standard work hours, disadvantaged children, and regional families**

The long day care system provides considerable flexibility for working families, including variable pick-up and drop off times each day to meet their work and family needs.

The PC found that around 70% of long day care centres operate for at least 11 hours per day.<sup>50</sup> Other parts of the sector including family day care, in-home care and occasional care meet the needs of the minority of families whose requirements are not met by the long day care model. The lower than expected take-up of the Hours Flexibility Trials offered in 2012 and for the In-home Care Pilot in 2015-16 highlight that the number of families requiring this type of care continues to be small.

The Jobs for Families package should make it easier for services to offer shorter sessions to meet local community needs with the removal of the requirement that centres be open for at least 8 hours a day to attract childcare subsidies. Goodstart will be fully exploring the extent to which such models are compatible with our overall business model, having regard to the needs of our families and local market conditions.

The Safety Net Programs within the Bill provide a suite of measures to assist children with identified additional needs. Goodstart welcomes the additional funding for these programs and looks forward to working with the Government to develop detailed guidelines to ensure maximum access for children and flexibility for families. The overriding policy objective for these programs must remain that no child falls between the cracks the eligibility criteria for the programs.

### **Objective Four: That changes are based on more appropriate and fiscally sustainable funding arrangements that better support flexible, affordable and accessible quality child care and early childhood learning**

Goodstart believes that the package is fiscally sustainable and will deliver more affordable childcare and early learning for families.

The net fiscal cost to the Government is likely to be substantially less than the gross cost of the childcare subsidies. Analysis by the Productivity Commission found that the budgetary benefits flowing from increased labour market participation would substantially increase tax revenues and reduce welfare payments (such as Newstart and family payments). Goodstart has commissioned independent economic modelling on these effects which it will provide to the Committee.

Economic analysis of the impact of increased childcare subsidies in Quebec found a return to Government of \$1.51 for every \$1 in increased subsidies.<sup>51</sup> Such second order effects are not counted as savings in Budget accounting, but are likely to flow through within 3-5 years.

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<sup>50</sup> PC 2015 Final report p.427

<sup>51</sup> Fortin 2012 ibid

Improving access for disadvantaged children to early learning will also provide significant fiscal benefits in the medium to longer term. Nobel Prize winning economist James Heckman estimates that the return on investment improving access for disadvantaged children to early learning is as high as 7 to 1.<sup>52</sup>

***“Economically speaking, early childhood programs are a good investment, with inflation-adjusted annual rates of return on the funds dedicated to these programs estimated to reach 10 percent or higher. Very few alternative investments can promise that kind of return. Notably, a portion of these economic returns accrues to the children themselves and their families, but studies show that the rest of society enjoys the majority of the benefits, reflecting the many contributions that skilled and productive workers make to the economy.”<sup>53</sup>***  
***US Federal Reserve President, Ben Bernanke (2012)***

PWC modelling estimated that the Australian economy would be \$13.3 billion higher in cumulative terms by 2050 if all vulnerable children were given access to quality early learning, and a further \$10 billion better off if all children were able to access quality early learning.<sup>54</sup>

More recent research shows that the savings to Government from investing in access to early learning for disadvantaged children manifest early in reduced costs of managing vulnerable children during their school years. A study in North Carolina found early learning programs targeted to at-risk 4 year olds reduced later spending on special education placements by around 39 per cent. This provided considerable cost savings to the State with the early learning programs costing around \$1,100 per child compared to special education costs of \$8,000 per child.<sup>55</sup>

### Fiscal sustainability

In terms of fiscal sustainability it should be noted that the last two Federal budgets have delivered saving in childcare and family assistance well in excess of the cost of the proposed increase in childcare subsidies in the Jobs for Families package.

Minister Birmingham has recently announced that additional compliance measures on childcare payments introduced by the Government last year are saving around \$700 million a year.<sup>56</sup> This represents more than 55% of the cost of the Jobs for Families childcare package in 2017/18.

Combined with other measures passed by the Parliament in the past twelve months including the “No Job No Pay” legislation; tighter targeting of Family Tax Benefit B for coupled families with children aged 13-15 years; abolition of the Large Families Supplement; and the tighter means test for Family Tax Benefit Part B deliver budget savings well in excess of the cost of the Jobs for Families package.

### Overall assessment against the objectives

It is Goodstart’s view that the package and legislation delivers on three of the four objectives: it will support workforce participation, deliver more flexible childcare and it will be fiscally sustainable. However, it only partially meets the Government’s objective to address children’s learning and development needs. With minor affordable amendments, the package could meet all four objectives and deliver the long term productivity benefits our nation needs.

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52 Heckman J, Moon S, Pinto R, Savellyev P & Yavitz A 2010 “The rate of return to the HighScope Perry Preschool Program” Journal of Public Economics 92 (2010) 114-128; [www.heckmanequation.org](http://www.heckmanequation.org)

53 Ben Bernanke speech 24/7/2012 <http://www.federalreserve.gov/newsevents/speech/bernanke20120724a.htm>

54 PWC 2014 “Putting a value on early childhood education and care in Australia”

55 Muschkin C, Ladd H, Dodge 2015 “Impact of North Carolina’s Early Childhood Initiatives on Special Education Placements in the Third Grade” Calder National Center for Analysis of Longitudinal Data in Education Working Paper 121 February 2015 <http://www.caldercenter.org/sites/default/files/WP%20121.pdf>

56 Media statement by the Minister for Education 3/1/2016 <http://www.senatorbirmingham.com.au/Media-Centre/Media-Releases/ID/2916/Crackdown-on-child-swapping-saving-taxpayers-77-million-a-week>

## PART B: Consideration of the Bill in detail

### 4. Changes needed to improve access for vulnerable children

The Jobs for Families Child Care package provides two key planks of support for vulnerable children – a range of targeted safety net programs, and a base entitlement to childcare assistance for low income families. Goodstart has welcomed the increased funding for the Safety Net programs. We also support the principle behind the Government’s commitment to continue to provide a base entitlement to ECEC to low income families and commend the Government for maintaining a provision of child care subsidy that is focused solely on children. However, this component of the system must be child focused to ensure continuity of access and participation to increase the chance of vulnerable children starting school without a learning and development gap that could have been avoided or at the very least reduced.

Ideally, Goodstart would like to see at least two days of access to quality early learning for all children. In the context of this package and the low-income entitlement, Goodstart supports:

- the maximum subsidy rate of 85% applying to all family incomes below \$65,710
- paying the subsidy directly to services as a percentage of fees up to an hourly cap
- giving providers flexibility to offer shorter sessions at a higher hourly fee than longer sessions
- the principle that the low-income entitlement should facilitate access to two days of early learning per week, consisting of two shorter sessions (but sessions of at least 7.5 hours per session).

We believe the legislation needs amendments to ensure it will support access to affordable, quality early learning for vulnerable children from low-income families. Problems with the current Bill arise because the hours of subsidy are inadequate to achieve the desired learning outcomes, the design of the subsidy and application of the activity test has created ‘cliffs’ or ‘drop-dead-cut-offs’ in the system that will see children drop in-and-out of early learning. If these issues are not addressed, there is a real risk that the package will fail in its objective of supporting vulnerable children.

This chapter of our submission makes recommendations for amendments to the low-income entitlement and activity test that will ensure the reforms:

- deliver adequate hours of subsidy for vulnerable children from low-income households
- ensure that vulnerable children’s access to early learning is not unfairly interrupted because of a change in their parents circumstances
- ensure that children with disability or medical conditions do not lose access to early learning subsidy
- ensure that all children can access affordable preschool.

#### Low-income result – adequate hours of subsidy

As outlined in the first part of this submission (pages 11-17) Goodstart is firmly of the view that 24 hours of CCS per fortnight is a simply inadequate dosage to secure a learning and development outcome for young vulnerable children.

We believe that at least 30 hours of CCS per fortnight is necessary to ensure children can access at least two days per week of high quality affordable early learning because:

- The best available national and international evidence supports a dosage of at least 15 hours per week of early learning over at least two days

- As a service provider, the experience of our qualified educators is that at least 15 hours per week is necessary in order to deliver a high quality program in practice
- The service needs to be flexible and affordable for vulnerable families or else cost and convenience will be a barrier to access
- A recent survey of our families found that over 62% of non-working families accessed at least 2 days a week, and that families were more likely to their reduce their days of ECEC than change their activity, leaving their children worse off.

In order to secure our long term economic growth, our nation should be expanding access to early learning for vulnerable children, not reducing entitlements.

**Goodstart opposes the cut in subsidised hours for low-income families from the 48 hours per fortnight they currently receive to 24 hours per fortnight. We recommend an increase in the low income entitlement to at least 30 hours per fortnight in order to ensure as many vulnerable children as possible can benefit from affordable early learning.**

**Goodstart recommends an increase in the low income result from 24 hours per fortnight to at least 30 hours per fortnight in order to ensure as many vulnerable children as possible can benefit from affordable early learning.**

Bill Reference: proposed subclause 13(1) of Schedule 2 of the Act: Low income result

*Suggested legislative amendment:*

We recommend that subclause 13(1) of Schedule 2 of the Act is amended so the low income result is 30.

## Low-income result – transitions and change in eligibility

### Impacts on children and families

Goodstart supports an approach that ensures families have access to the low-income entitlement CCS hours for the full financial year. We are very concerned that the blunt income cut-off of \$65,710 plus the requirement for parents to notify of all changes in circumstances likely to change their entitlements will have the consequence of children from low-income families dipping in and out of the safety-net through the year. Regular access to early learning is necessary for children to build secure relationships with educators that facilitate learning and development outcomes. If children do not maintain regular access to early learning, the safety-net will be ineffective in meeting its objectives.

As we understand them, the provisions in the Bill will significantly disadvantage children from two broad types of families who do the right thing and regularly notify of their changes of income (as they are required to under the Bill).

- Children whose parents estimate an income of \$65,710 or under but earn more than that during the financial year (where one parent does not meet the activity test). These children will have their access to CCS cut all together once the notification of the higher income is made.
- Children whose parents estimate an income of \$65,710 or under but who at periods through the year estimate that they will earn more than that (e.g. due to an increase in hours) but whose final reconciled income is under \$65,710 (where one parent does not meet the activity test). These children will have their access to CCS cut and then reinstated at different points through the year.

In both scenarios, maintaining the child's attendance at an early learning centre is not likely to be affordable for the family without some access to subsidy due to their low-income. We believe that the second scenario is particularly likely for low-income casual or part-time workers in trade, hospitality and retail industries which are characterised by peaks and troughs in the availability of work and periods of over-time through the year. This could potentially impact thousands of families, Australian Government data suggests around 50,000 families using childcare have an income between \$60,000 and \$70,000 a year.<sup>57</sup>

We also note that the \$65,710 income limit may create a perverse incentive for parents, including the stay-at-home parent *not* to accept additional work or hours as it will mean they lose their access to childcare subsidies. The incentive to reject paid work will be heightened if it is likely to be short-term or for less than 8 hours per fortnight.

While we appreciate that the intention is to encourage parents to meet the activity test, we do not think it is reasonable to assume that the non-active parent can immediately increase their activity in order to access the first step of the activity test. In a best case scenario, where the parent has capacity to undertake activity, this is still likely to take several weeks and may be challenging if the parent has not been engaged in any activity previously.

We believe that the underlying principle for *this* component of the subsidy should be to maintain access for vulnerable children.

Where a family's income does rise, we believe that at least for that year, the access to 24 hours of subsidy should continue, but with the final rate (or CCS percentage) of assistance reconciled, or revised down to match the final family adjusted taxable income for that year.

**Goodstart recommends that the legislation quarantine the 24 hour per fortnight entitlement for the full financial year so that families do not incur debts or experience sudden cuts in their entitlements if their estimated annual income goes above \$65,710 at any time throughout the year.**

Bill reference: proposed subclause 13(2) of Schedule 2 of the Act: Low income result

*Suggested legislative amendment:*

Substitute proposed subclause 13(2) of Schedule 2 of the Act with:

- (2) If on the first day of the CCS fortnight:
- (a) there is an estimate of adjusted taxable income that, under section 67DB of the Family Assistance Administration Act, the Secretary is permitted to use for the purposes of making a determination under Division 3 of Part 3A of that Act; and
  - (b) the estimate is equal to or below the lower income threshold;
- then, the low income result applies to an individual, in relation to any child, for all CCS fortnights after the first CCS fortnight in that financial year.

**In the event that the 24 hour entitlement per fortnight is not quarantined for the full financial year, Goodstart recommends that families can access a six week 'change in low income entitlement' transitional provision that would apply where families have an increase in their income which would mean they are no longer eligible for the low-income entitlement.** This time would be used to maintain children's access to early learning while their parents try and arrange for opportunities to meet the activity test.

Bill reference: proposed clause 13 of Schedule 2 of the Act: Low income result

<sup>57</sup> Australian Government, Graph: 'Child care subsidy' attached to media release by the Minister for Social Services, 8th May 2015

*Suggested legislative amendment:*

Add after proposed subclause 13(2) of Schedule 2 to the Act:

*Change in low income entitlement – transitional circumstances*

(3) If, during an income year, there is a change to an estimate of adjusted taxable income under subclause 13(2) so that the low income result no longer applies, the low income result continues to apply until the CCS fortnight immediately after the third CCS fortnight in which the change occurs.

## Children with disability or medical conditions

The PC and others have recognised that children with disability are vulnerable, are currently under-represented in early learning and stand to benefit the most from early learning programs. Parents with a child or children with disability or medical conditions face unique barriers to participation in the workforce given their caring responsibilities. At the moment, parents in receipt of Carer Payment are considered to meet the activity test which means their children have access to early learning opportunities.

The Decision RIS appears to signal an intent to change this position. It appears that Carers would only meet the activity test if they are caring for an adult or *'another'* child with a disability. This would suggest that a parent caring for one child with a disability and in receipt of Carer Payment would not have access to any CCS for that child (unless the low income entitlement applied). This would effectively prevent that child from having the opportunity to access early learning. We trust that this is not the Government's intention.

This approach denies very vulnerable children from accessing early learning and also creates unnecessary barriers to participation for their parents. These children must maintain enough access to subsidy to support them to participate in at least two days of early learning.

**Goodstart recommends that parents in receipt of Carer Payment or Carer Allowance are considered to fully meet the activity test, as they are now.**

Bill reference: proposed subclause 12(2)(d) of Schedule 2 of the Act: Recognised activity result

## Affordable access to Preschool for all children

The Productivity Commission noted that the benefits of a high quality preschool or kindergarten program are largely undisputed.<sup>58</sup> With around 43% of children attending preschool in long day care, maintaining access to early learning and care subsidies for preschool aged children is vital to ensure all children have access to an affordable preschool program.<sup>59</sup> Accessing preschool through Long Day Care settings is especially prevalent in Queensland, NSW and Victoria. In some rural, regional and remote communities, Long Day Care is the only provider of preschool.

The cost of preschool remains a barrier to access for many families and without child care subsidies the out-of-pocket expense for two days of preschool would increase by up to \$95 per week in 17/18 terms for families that have a combined family income over \$65,710 and do not meet the activity test. The evidence is also clear that

<sup>58</sup> PC, Childcare and Early Childhood Learning Final Report, October 2014

<sup>59</sup> ABS, Childhood Education and Care, Australia, June 2014

families who would not meet the activity test – single income and non-working families – are already those families least likely to send their children to preschool.

We understand from the Decision RIS that the Government's intends to: *"introduce an additional exemption category for families if their child is attending a preschool program in a child care services, with the exemption to apply for the period of the preschool program."* We strongly welcome this commitment by the Government.

**We recommend confirming that an additional exemption category for families if their child is attending a preschool or kindergarten program in a child care service with the exemption to apply for 600 hours per year to reflect Universal Access to Preschool program requirements and that these hours will be in addition to any low-income result or other Child Care Subsidy entitlement.**

Bill reference: proposed clause 14 of Schedule 2 of the Act: Minister's rules result

**We recommend that Government monitor preschool attendances and out-of-pocket costs for single income families when the new subsidy is introduced to ensure children maintain affordable access to preschool and kindergarten programs.**



## 5. Changes needed to support workforce participation

Goodstart believes that the majority of working families will enjoy more affordable childcare as a result of the new CCS. In particular, working families where both parents have access to secure, regular employment, study or training for at least 17 hours per fortnight are likely to have significant reductions in their out-of-pocket costs.

Goodstart supports the basic design of the subsidy including:

- the income thresholds and taper rates, including maintaining a base entitlement for high income working families
- the approach of paying subsidies as a percentage of fees up to an hourly fee-cap
- the methodology for setting the hourly fee-cap which is based on real price information and reflects recent trends in childcare costs
- a stepped activity test, where more work provides access to more hours of subsidy within broad bands
- applying a modest withholding amount to help ensure families don't incur debts
- paying the subsidy directly to the service to reduce out-of-pocket costs for families.

We believe the legislation needs some minor amendments to ensure it supports workforce participation for as many families as possible. Problems with the current Bill may arise for families where they do not have regular or secure access to a recognised activity. This is because the design of the activity test provides very little flexibility for parents in the event they have an unexpected reduction in their activity or if their hours of work are reduced for a reason outside their control.

This part of our submission makes recommendations for minor amendments that will ensure the new CCS:

- promotes participation especially for mothers of young children returning to work and casual workers
- provides adequate flexibility for families to respond to changes in their circumstances
- minimises financial penalties if a parent's activity is unexpectedly reduced
- improves affordability for working families on the first step of the activity test.

### Promoting participation for parents of young children

#### Definition of volunteering

One of the best ways to promote participation by parents of young children is to provide them with as many opportunities to participate as possible. It is also important to recognise activities that can act as stepping stones to paid work. For these reasons, Goodstart has consistently advocated for all voluntary activity to count towards the activity test.

We understand that the Government intends to implement a broad definition of volunteering, consistent with recommendations made by Goodstart and others through the RIS consultation process. We have also recommended that voluntary activity should be able to be combined with other types of activity to meet the activity test, with a minimum entitlement of 36 hours of subsidy per fortnight where volunteering is the only activity undertaken.

This approach will help meet the policy objectives for the subsidy by:

- better matching the types of activities parents of young children are likely to be participating in as a stepping stone to later workforce participation
- providing greater flexibility for parents to meet their activity requirements if sufficient work hours are not available or not offered (e.g. for casual workers)
- ensuring an efficient use of Government and the Volunteer sector resources by targeting specific work related volunteering opportunities to those jobseekers who genuinely need to improve their work skills.

Clarifying this definition will give confidence to many families and services that families will be able to continue to access early learning through a wide variety of voluntary activities, including volunteering that does not directly improve work skills.

Goodstart would like to see a definition adopted that recognises all forms of volunteering that make a contribution to the community or that improve parenting skills. This would also help to improve home learning environments and outcomes for children in a non-stigmatising way.

**Goodstart recommends that the Senate ensure that all voluntary work, including volunteering in the community and volunteering that improves parenting skills should meet the activity test.**

**Goodstart recommends that voluntary work should be able to be combined with any other type of approved activity to calculate total hours of activity for the activity test, with a minimum entitlement of 36 hours of subsidy per fortnight where volunteering is the only activity undertaken.**

**Goodstart recommends that all forms of approved activity can be combined to meet the steps of the activity test.**

Bill Reference: proposed clause 14 of Schedule 2 of the Act: Minister's rules result

## Providing flexibility to working parents

Goodstart believes that some workers will need greater flexibility within the subsidy system because the conditions of their employment mean they may meet the activity test in some fortnights but not in others, and this is largely beyond their control. Working on casual rosters or in a casual "pool" is a well-recognised pathway to permanent part-time and permanent employment so casual work should be encouraged through the design of the CCS.

It is likely that a substantial number of the expected 1.2 million families accessing the subsidy will have irregular work. In a recent survey of parents currently using childcare nearly a third (28.9%) of respondents stated that they or their partner had been employed on a casual roster at some time since their child was born.<sup>60</sup>

This survey of Goodstart parents also found that families' circumstances change frequently, and that the increased number of steps to the activity test are likely to result in multiple changes to many families' entitlements to childcare over the course of a year.

Over the past year, 45.3% of respondents reported that their activity changed at least once between the steps of the proposed activity test, 32.5% changed their activity at least twice, and 24% changed at least three times. Of these, nearly half (48.6%) did not change their childcare arrangements when their pattern changed. 36% of families responded that they had only worked 24 hours or more per fortnight (i.e. met the top tier of the activity test), and a further 12% had only worked 16-24 hours (i.e. the middle tier of the activity test). This demonstrates the need to have flexible transitional measures built into the subsidy.

## Casual workers and parents with irregular work

Many mothers re-enter the workforce after having young children through casual or contract work arrangements which are characterised by variable hours, late notice from their employer of when shifts are available and low to moderate pay rates. In order to support participation by this group, they must have

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<sup>60</sup> BuzzResearch online survey of parents currently using childcare drawing from the Goodstart and Smartstart parental database n=892, July 2015

consistent access to enough CCS to allow them to accept work when it is offered and maintain their childcare affordability if they receive less work than they expect. Sensible approaches to the activity test and transitional arrangements will be important to ensuring the CCS does not inadvertently create financial disincentives to work for this group.

In Goodstart's RIS submission, we noted the following issues for this group of workers:

- For casual workers in retail, hospitality and health sectors particularly, it is not possible to accept casual shifts offered each morning without already having access to an affordable child care place.
- Mothers of young children are already disadvantaged in accessing casual rosters compared to other jobseekers if they don't have access to at least two days per week of affordable child care as many casual rosters in the services sector have a three day minimum availability.
- Casual workers are usually low income workers who can least afford to pay for child care without subsidy. If a casual or part-time worker does not receive their expected number of hours in a given fortnight they experience a compounding negative financial impact: they don't earn any money because they haven't been offered work and they lose access to child care subsidy. Only low-income families will retain access to the low-income safety-net of 24 hours subsidy per fortnight.
- Casual workers on casual rosters are the least able to negotiate flexible work arrangements. If they have to reject a shift because they don't have child care, they go to the bottom of the list the next time a shift is available.
- Under their employment conditions, many part-time workers may have their fortnightly hours significantly reduced unexpectedly in any given fortnight, with the total overall hours meeting a guaranteed minimum amount per month or per six week period.
- Access to regular affordable childcare increases the parents' ability to pick up additional days of childcare if extra shifts are offered.

Goodstart was pleased that the Government recognised these issues in the Decision RIS. In that document, the Government proposed that as a means of simplifying and reducing the number of changes to parent's reported activity levels, those working casual or irregular hours (such as fly-in fly-out workers or shift workers) will be able to estimate their average hours of activity over a period of three months. Goodstart supports this concept. However, communication with parents about this provision will be important as a blunt averaging methodology could result in an activity result that actually leaves these workers worse off. A blunt averaging methodology may move a family down the activity test, leaving them with inadequate childcare subsidy to meet their work commitments in some fortnights and with higher costs over the three month period.

For example, working families on casual rosters often book three days of childcare to maximise their work availability. Examples of where families would end up worse off by averaging include:

- A family with 18 hours of activity during three fortnights and 9 hours of activity during three fortnights
- A family with 20 hours of activity during four fortnights and 8 hours of activity during two fortnights.<sup>61</sup>

Families would be worse off because childcare places need to be booked well in advance of work commitments, and cannot be 'averaged' week to week. Thus a working parent facing peaks and troughs in their work needs to book childcare to cover the peaks, even if this means paying for more childcare than they need during the trough. Otherwise they risk losing their childcare place and being unable to meet their work commitments due to a lack of accessible childcare. 'Averaging' hours of activity over three months will provide insufficient subsidy to hold a place in many cases.

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<sup>61</sup> The families we considered paid \$100/day to be available for work 3 days per week in an 11 hour service.

In order to address this issue, we recommend that an irregular work reporting methodology that allows workers to estimate their activity and childcare needs over a six fortnight period as this will ensure working families have access to adequate subsidy and childcare when they need it.

We note that adopting a broad definition of recognised volunteering activity that can be combined with paid work to meet the steps of the activity test will also help to ensure these workers are not disadvantaged.

**Goodstart recommends that a reporting methodology is adopted that allows all casual workers or part-time workers with irregular hours to estimate their expected activity and childcare needs over six fortnights.**

Bill reference: proposed subclause 12(2)(d) of Schedule 2: Recognised activity result

### **Impacts of unexpected circumstances beyond parents' control**

There will be circumstances where a parent's activity is suddenly dramatically reduced for reasons beyond their control. The Bill makes clear that parents are required to notify DHS as soon as practicable of any change that is likely to impact their entitlements, including a change in their activity test result. The legislation also notes that changes in the activity test result will apply in the CCS fortnight immediately after the change occurs.

We believe that these provisions could disadvantage families that have unexpected changes in their activity because it provides at best thirteen days and, at worst, just one day for families to make alternative arrangements to meet the activity test before their subsidy is cut – potentially to zero. It's also likely that families may not fully realise the consequence of their notification until after they advise DHS.

Circumstances where this could be an issue include:

- a temporary reduction in paid work to meet other commitments that are not recognised activities like caring for a sick or terminally ill child or family member
- unexpected reduction in work hours
- unexpected job loss or redundancy.

We are concerned that the period of time between notification and cuts in subsidy is too short to allow parents to make alternative arrangements to meet the activity test via other means. This tends not to be a problem in the subsidy system now because the base entitlement of 24 hours of CCB and the simple activity test arrangements for CCR means that the overwhelming majority of families retain access to some subsidy.

The likely negative consequences in these situations are summarised below.<sup>62</sup>

- The family incurs a significant childcare debt because they need to keep their childcare days but no longer have subsidy to cover the cost. A family in this situation using three days of childcare for one child could incur a 278% increase in their out-of-pocket costs from around \$79 per week to \$300 per week.
- The family reduces their childcare usage to meet their new CCS entitlement but then can't get their childcare place back when their circumstances return to normal. This is likely to be an issue when people lose their job as we understand that as a recognised activity, looking for work will have a limit of 36 hours per fortnight if that is the only activity being undertaken. In this situation, most parents want to retain their access to childcare so they are available to meet with agents, attend interviews and ensure they will have access to childcare that allows them to work once they find a job. A family in this

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<sup>62</sup> Assumes one child in LDC, \$100 per day, 11 hour service, 17/18 terms

situation with four days of childcare for one child could incur a 164% increase in their out-of-pocket costs from around \$106 per week to around \$279 per week.

Overwhelmingly, families do the right thing when it comes to making notifications to DHS. In practical terms, arranging volunteering activities is likely to take more than 2 weeks once contact is made and the necessary checks and interviews are undertaken by the voluntary organisation.

We believe that providing additional time for families to rearrange their circumstances would significantly improve the flexibility of the system for families and would also ensure children have continuity of early learning.

A six week period would provide continuity of care for children and would also provide adequate time for families to respond to and adjust to sudden changes in their circumstances without losing access to their child care subsidy. We are not suggesting that this provision would apply where parents have a permanent reduction in their approved activity.

**We recommend that families can access a six week 'exceptional circumstances' transitional provision where families have sudden and unexpected changes in their circumstances which would result in a reduction in their hours of subsidised care.**

Bill reference: proposed clause 12 of Schedule 2 of the Act: Recognised activity result

*Suggested legislative amendment:*

Substitute subclause 12(3) of Schedule 2 of the Act with:

*Change in number of recognised activity hours*

- (3) **Subject to subclause (4)**, in working out the recognised activity test result, a change in the number of hours of recognised activity in which an individual engages in a CCS fortnight is to be disregarded until the CCS fortnight immediately after the CCS fortnight in which the change occurs.

Add after the proposed subclause 12(3) of Schedule 2 of the Act:

*Decrease in number of recognised activity hours – transitional circumstances*

- (4) In working out the recognised activity test result **where there is decrease in** the number of hours of recognised activity **and a transitional circumstance prescribed by the Minister's rules applies**, a **decrease** in the number of hours of recognised activity in which an individual engages in a CCS fortnight is to be disregarded until the CCS fortnight immediately after the **third** CCS fortnight in which the change occurs.
- (5) **The Minister's rules made for the purposes of subclause 12(4) may prescribe transitional circumstances applicable to an individual's only or to both individuals and to an individual's where the individual is a member of a couple.**

## Minimising the risk of parents incurring significant debts

We understand that the current EOFY reconciliation will be focused on reconciling income rather than changes of activity through the year. We support this approach.

We note that favourable changes can only be backdated 28 days, however it is not clear if there is a commensurate limit for unfavourable changes being backdated.

End of year reconciliations should apply to the reconciled income as per the tax return and the subsequent Child Care Subsidy percentage. It would be useful to have further clarification on what process will be adopted for any reconciliation of CCS hours or reconciliations of the activity test result.

**Goodstart recommends clarifying the process for retrospective application of reductions in the activity test result.**

## **Working families on the first step of the activity test**

Based on our internal modelling, we note that in many cases, working families where the secondary income earner is working up to 16 hours per fortnight will actually have an increase in their out-of-pocket child care costs relative to what they get now if they are using 2 days or more of childcare a week. This is because 48 hours of CCB per fortnight plus 50% CCR is more generous than 36 hours per fortnight of the new CCS. This appears to particularly impact low-income families where the secondary income earner, usually the mother, is trying to get back into the labour market. A survey of mothers returning to work after paid parental leave found that around 8% worked less than eight hours a week, suggesting that potentially thousands of families could experience reduced child care affordability.<sup>63</sup>

**Goodstart recommends increasing the first step of the activity test from 36 hour per fortnight to 40 hours per fortnight to ensure working families in this category don't end up with higher out-of-pocket costs than they have now.**

*We note that this is a secondary priority to increasing the low-income entitlement.*

Bill reference: proposed clause 12 of Schedule 2 of the Act: Recognised activity result

*Suggested legislative amendment:*

We recommend that subclause 12(1) of Schedule 2 of the Act is amended so that the result for Item 2 is 40

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<sup>63</sup> Cited in the PC Final Report p. 610

## 6. Additional Child Care Subsidy

Goodstart supports the policy intent behind the components of the Additional Child Care Subsidy (ACCS) and has particularly welcomed additional investment to support vulnerable children. Goodstart welcomes the Government's recognition that extra support is needed to help address cost barriers for the following groups:

- children at risk of serious abuse or neglect (ACCS – at risk)
- families experiencing temporary financial hardship (ACCS – TFH)
- grandparents on income support who are the primary carer of their grandchildren (ACCS – Grandparent)
- parents transitioning to work from income support (ACCS – TTW).

Goodstart supports the basic design of ACCS – at risk, TFH and Grandparent including:

- Providing 100% of out-of-pocket costs up to 120% of the hourly fee cap
- Providing 100 hours of subsidy per fortnight

Goodstart also supports the basic design of ACCS – TTW including:

- Providing 95% of out-of-pocket costs up to the hourly fee cap
- Hours of subsidy available for all approved hours of activity
- Transitional arrangements when parents move off income support and into work.

We believe the legislation needs clarification and amendments to ensure that the way these subsidies are implemented meet the needs of some of the most vulnerable children in our society.

This chapter of our submission makes recommendations for minor amendments and clarifications that will ensure that the ACCS streams support children at risk, families in crisis and parents trying to improve their employment prospects.

### Children at Risk

The opportunity to redesign the child care subsidies to support children at risk of abuse or neglect is a once in a decade opportunity to get the policy settings right and reset the life trajectories of Australia's most vulnerable children.

We believe that the overriding objective of ACCS must be to ensure that children identified as being at risk of abuse or neglect do not experience more barriers to accessing ongoing early learning and care. The implementation of the ACCS should be seen as an opportunity to identify and support more children at risk to provide early intervention services to help improve their life outcomes. It is also important to remember that contribution to child care subsidies is the key Australian Government contribution to supporting the most vulnerable children in our society.

In addition to the basic design of the subsidy, Goodstart welcomes:

- the new provision that provides an 18-month exemption from the activity test once a child has been 'at risk' for six continuous months
- the increase in the limits on approvals to 50% of the children cared for by the provider at a particular service
- clarity around anticipated timeframes.

However, we remain concerned that the provisions, process and evidence requirements relating to the Additional Child Care Subsidy – Child at Risk as outlined in the Bill, Explanatory Memorandum and RIS remain complex, may potentially increase administrative burden and add to barriers to accessing early learning for children at risk. In the absence of further information about Ministerial Determinations, definitions, evidence requirements and process, Goodstart makes the following observations and recommendations.

## Definitions and eligibility

Goodstart supports retaining a broad definition of child at risk of serious abuse or neglect in the Bill.

The priority for ACCS at risk must be to adopt a definition that is at least as comprehensive as the current definition and that has flexibility to include a complex myriad of circumstances that could lead to a child being at risk. Therefore, the definition of what constitutes a child at risk of serious abuse or neglect must be appropriately comprehensive and should continue to be aligned to the *National Framework for Protecting Australia's Children*.

Goodstart also supports maintaining reference to the definitions included in the National Child Protection Clearinghouse resource sheet published by the Australian Institute of Family Studies, '*What is child abuse and neglect*' as this remains the best, broadly agreed definition. We would also recommend that other publications published by AIFS such as '*Risk and protective factors for child abuse and neglect*' are referenced in the new guide to support decision making about children at risk.

We also support maintaining all existing definitions of the following, with new additions as noted below:

- Indicators of abuse or neglect (intentional and unintentional)
- Signs of abuse or neglect in parents and caregivers
- Possible signs of sexual abuse, in children and in parents/caregivers
- Possible signs of psychological abuse, in children and in parents/caregivers
- Possible signs of neglect, in children and in parents/caregivers
- Risk factors for abuse or neglect (for children, parents, family and social)
- Environmental risk factors for abuse or neglect (e.g. home environment or homelessness, probability of parental relapse).

We would not support any narrowing of the definition to align with more targeted definitions which may exist under state and territory statutory child protection systems and law.

**Goodstart recommends that the definitions associated with at risk of abuse or neglect outlined through determinations are at least as broad as they are under the current Special Child Care Benefit (SCCB) Guide and are not limited to more narrow state and territory definitions where they exist.**

Bill reference: proposed Subdivision A of Division 3 of Part 4A of the Act: Eligibility for ACCS (at risk)

## Initial approvals

The provisions of the Bill include a new layer of process with state and territory governments within a reduced timeframe in order for children to receive an approval for more than six weeks of ACCS. The current service provider approval is for up to 13 weeks. Goodstart has consistently recommended maintaining a 13 week provider approval process as we believe this length of time is needed in most cases to make an adequate assessment about the child's risk and to gather the necessary evidence for further approvals.

It appears that in the new process, additional evidence will need to be collected within six weeks. It is important to recognise that gathering evidence from families and children at risk can be an extremely complex and challenging process. Families often fear that engaging in the process will not be in their long-term interests, and securing the necessary evidence from third parties and other agencies is time consuming and often requires multiple attempts to produce evidence that will meet the DHS requirements.

We are anxious to ensure that the process does not result in children falling through the cracks and either dropping out of early learning (where they fall completely off the community radar) or their parents incurring large debts if their ACCS application is not approved or is deemed to be not approved as no decision has been made.



**Goodstart recommends maintaining a 13 week provider approval process (or two step 6 and 7 week provider approval process) as we believe this length of time is needed to make an adequate assessment about the child's risk and to gather the necessary evidence for further approvals. Alternatively, we seek assurances that a child's access will not be cut at six weeks if there are delays in state agencies responding to request for information.**

Bill reference: proposed Subdivision A of Division 3 of Part 4A of the Act: Eligibility for ACCS (at risk)

### Documentation and Evidence

Goodstart understands the need for robust evidence to support applications for the ACCS. However, the objective must be to reduce barriers to children at risk attending early learning. For some at risk children, the existing documentation and evidence requirements are too cumbersome.

Children at risk of abuse and neglect are often in families characterised by disorganisation, low levels of motivation and hostility towards government authorities. Such families find it difficult to interface with services, maintain good records, and provide clear and timely evidence. They may not for various reasons, be in a position to advocate for the child's best interests (e.g. a mother experiencing controlling abusive behaviour from a spouse may be too fearful to provide services with necessary evidence, or a mother presenting with mental health issues will not see a GP for diagnosis or certification of mental illness). In these cases additional flexibility is required to ensure children aren't disadvantaged.

In relation to medical evidence in particular, there are often challenges in securing advice from medical professionals because parents are reluctant to request that advice. This can be because they fear judgement and repercussions, either from Government (e.g. Child Protection Agencies), from other family members (e.g. impacts on custody arrangements), because they fear it will damage other relationships (e.g. with the Centre), or because of the cost. In general, consistent with confidentiality protocols medical professionals will not provide evidence directly to services.

The new ACCS – at risk should continue to recognise that the kinds of evidence provided by a service to support a claim are diverse and may range from observations of the child's behavior to advice from welfare and health professionals.

Given the new ACCS includes a mandatory referral to state based agencies and requires an additional Government approval in the first thirteen week period, we believe the evidence requirements should allow for the following circumstances:

- Emails should be permissible evidence, including from case workers
- Support letters for future approval should be able to contain the same or similar information / evidence as earlier letters where circumstances have not changed
- If timeframes for approvals are reduced, there will need to be greater flexibility in terms of gathering and providing evidence to ensure continuity of care is maintained for children.
- Assessments should acknowledge that access to early learning has benefits for parents in vulnerable circumstances as well as providing a protective factor for children at risk
- There will need to be an exceptional circumstances provision when there are staffing changes within third party agencies
- Where parents are unwilling to make referrals or provide evidence, supporting evidence by ECEC professionals should be adequate for a further approval.

There are also complex interactions with mandatory reporting legislation in some jurisdictions, which can act as a barrier to children at risk currently accessing SCCB. The new ACCS and guidelines needs to carefully consider these interactions and ensure that the evidence required does not act as a barrier to access.

**Goodstart recommends that evidence provided for the new ACCS – at risk should continue to recognise that the existing evidence for the SCCB as well as new evidence sources.**

Bill reference: proposed Subdivision A of Division 3 of Part 4A of the Act: Eligibility for ACCS (at risk)

#### Transitional arrangements when a child ceases to be eligible for ACCS

Exposure to risk is rarely binary and the impacts of trauma have a long lasting negative effect on the developmental outcomes of very young children. Further, the likelihood of the risk re-occurring is high. On this basis, the objective should be to ensure all children that have been at risk maintain some access to early learning so services can continue to monitor the child's well-being. We strongly support the exemption from the activity test once a child has been assessed as being at risk for six months.

However, where a parent has been in receipt of ACCS for less than six months, reference to the parent's post ACCS activity test result should be formally considered before an application is refused. Where the activity test result is likely to be zero, there should be the opportunity to apply for a special circumstances exemption to maintain some access to subsidy for the child. This is particularly important because the existing broad safety net which provides 24 hours of access to CCB per week for most families will no longer apply. There is a real risk that these children could fall out of the system and incur serious harm if their parents are suddenly faced with very high out-of-pocket costs to access early learning and care.

**Goodstart recommends that reference to the parent's post ACCS Activity Test result should be formally considered before an application is refused, and, where the activity test result is likely to be zero there should be the opportunity to apply for a special circumstances exemption to maintain some access of care for the child before access to subsidy is cut off.**

Bill reference: proposed Subdivision A of Division 3 of Part 4A of the Act: Eligibility for ACCS (at risk)

#### Deemed refusal of an application when no decision is made

As noted above, we welcome clarity around the timeframes for ACCS. In considering the Bill and possible outcomes for children at risk of abuse or neglect we are recommending a change to the Secretary's decision to ensure continuity of early learning for children at risk in the event that a decision is not made. Given the very vulnerable nature of children at risk of abuse or neglect, we believe that the absence of a decision after 28 days should not automatically result in a deemed refusal. Children at risk of abuse or neglect are an extremely vulnerable group who need special attention to ensure they aren't further disadvantaged and so ordinary 'deemed refusal' rules should not apply.

**Goodstart recommends a change to the Secretary's decision to ensure continuity of early learning for children at risk in the event that a decision is not made. We commend the inclusion of decision timeframes, however given the very vulnerable nature of children at risk of abuse or neglect, we believe that the absence of a decision after 28 days should not automatically result in a deemed refusal.**

Bill reference: proposed subsection 85CE(4) of the Act: Determination of risk of serious abuse or neglect

*Suggested legislative amendment:*

A new subsection 85CB(3A) of the Act should be inserted:

*Despite subsection 85CB(4), a certificate given by an approved provider will continue to have effect if the approved provider has applied to the Secretary for a determination under section 85CE and the Secretary has not made decision on the approved provider's application.*

### Improving processes and reporting

Goodstart notes the Government's concerns about the potential abuse of the existing SCCB. However, Goodstart strongly believes that compliance activities should be implemented to identify and rectify abuses, rather than trying to limit access to subsidy by tightening eligibility criteria or creating overly burdensome processes.

**Goodstart recommends that the overall regulatory and administrative burden associated with the new ACCS – Child at Risk should be tested against the existing process for children at risk and should be less burdensome on families and services and should have increased flexibility compared to the current process.**

**Goodstart recommends annual public reporting on expenditure and access to ECEC for children at risk to allow better sector and community wide understanding of trends and issues.**

Bill reference: proposed Subdivision A of Division 3 of Part 4A of the Act: Eligibility for ACCS (at risk)

## Temporary Financial Hardship

Goodstart welcomes the retention of Temporary Financial Hardship support. This support is necessary to ensure children can maintain continuity of care throughout an event that impacts on a family's capacity to meet their child care fees as they manage a crisis.

**Ensure that children in families experiencing temporary financial hardship are not worse off under the changes and do not incur debts.** We do not support removing the ability for providers to make approvals for short term temporary financial hardship assistance.

**Noting the Government's intention that this should be administered by DHS in future, Goodstart requests that the terms of the Ministerial Determination for temporary financial hardship are clarified as soon as possible to provide clarity around the definitions for eligibility for temporary financial hardship.**

Bill reference: proposed Subdivision B of Division 3 of Part 4A of the Act: Eligibility for ACCS (temporary financial hardship)

## Transition to Work

We support broadening the eligibility to this program and the principles outlined in the Bill to ensure families don't incur debts. We also support including this program as part of the mainstream subsidies.

**We recommend that the eligibility requirements for ACCS – Transition to Work are clarified through the Ministerial Determinations as soon as possible.**

Bill reference: proposed Subdivision D of Division 3 of Part 4A of the Act: Eligibility for ACCS (transition to work)

## Other vulnerable children, including Aboriginal and Torres Strait Islander children

One in two for Aboriginal and Torres Strait Islander children are vulnerable in one or more domains of early childhood development, compared with one in five children in the general population.<sup>64</sup> Given the overwhelming evidence of the benefits of access to early learning in reducing disadvantage and improving life outcomes Goodstart believes that all vulnerable children should have access to high doses of early learning and that cost should not be a barrier to access. The PC noted that Aboriginal and Torres Strait Islander children comprise just 2.9% of children participating in early childhood education and care programs, despite making up 5.5% of the population. Policy settings should be attempting to remove barriers to participation and increase access to quality early learning for Aboriginal and Torres Strait Islander children.

Goodstart is concerned to hear of reports that changes in funding will mean some of the most disadvantaged and vulnerable children in our nation will end up with less access to early learning or significantly increased costs as a result of the changes. We refer the Committee to submissions made the Secretariat of National Aboriginal and Islander Child Care (SNAICC) and Early Childhood Australia (ECA) on this matter.

**In principle, Goodstart recommends that all vulnerable children, and particularly those from Aboriginal and Torres Strait Islander communities currently accessing Budget Base Funded services or other services like Child and Family Centres do not experience reduced access or increased fees to access ECEC under the proposed changes. Goodstart also believes that the necessary investment should be made to ensure these services meet the minimum standards under the National Quality Framework.**

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<sup>64</sup> Australian Government, AECD analysis, 2013

## 7. Other Provisions in the Bill

In this chapter we provide recommendations and analysis of other operational components of the Bill.

These recommendations primarily relate to administrative policy issues that will have a significant impact on how the new subsidy will be operationalised. Although some of these matters are technical in nature, how they are interpreted and ultimately implemented is likely to have a significant impact on families and services.

We understand there was not adequate time to provide an Exposure Draft process for the Bill due to the tight implementation timeframes for the subsidy. Goodstart strongly supports the implementation of the new subsidy being no later than 1 July 2017 but notes that it will be important to formally clarify some of the issues outlined below to ensure the Australian Parliament has the information it needs to vote on the legislation. Goodstart urges the Committee to consider these matters and ensure these issues are clarified in order to avoid any doubt as to how the subsidy will be implemented in practice. We also note that some of these issues have been clarified by the Department of Education, and we appreciate the time they have taken to clarify issues where possible.

### Sessions of Care

As with the current legislation and subsidy system, the Bill applies subsidy on the basis of a defined 'Session of Care'. The Minister must determine by legislative instrument what constitutes a 'session of care' for the purposes of the Act. We note that the amendments in the Bill do not propose any changes to this existing section of the Act.

Goodstart strongly welcomes commitments by the Government that there will be no change or restriction in relation to sessions of care or requirements for 'hourly billing' in the legislation, ICT system and administrative requirements. Maintaining this flexibility will be particularly important to ensuring the sector can innovate to provide part-day sessional options over two days for children accessing the low-income entitlement. We understand that the Government intends that new Child Care Subsidy will support this approach.

Services are currently able to offer different sessions of care, for different lengths of time and charged at different fees. However, given the change in how the subsidy will apply, the Bill proposes to insert a new definition for 'hourly session fee' in subsection 3(1) of the Act. Goodstart supports the basic principle that the 'hourly session fee' is calculated by dividing the fee charged for that session by the number of hours in that session.

In order to clarify that Government wants to promote flexibility and innovation, the existing determination should clearly clarify that the Government envisages different sessions of care, with different fees for different periods of time. Under this scenario a session of care may run concurrently with one or more other sessions of care. Goodstart and others in the sector have previously noted that the effective hourly rates (or hourly session fee) will be higher for shorter sessions than for longer sessions. This is simply because fixed costs need to be recouped over a shorter period and it is generally not possible to "sell" the remaining hours after a shorter session.

**Goodstart recommends that it is clarified that services may have different sessions of care at a particular service. Each session of care may consist of a different minimum period of time in respect of which an approved provider may charge a different fee. A session of care may run concurrently with one or more other sessions of care.**

*Suggested amendment to Child Care Benefit (Session of Care) Determination*

4 What is a session of care?

For the purposes of the Act, a session of care is the minimum period of time in respect of which an approved provider charges a fee for providing child care in any particular case.

A session of care may start on one day and end on the next day.

However, a session of care must not exceed 12 hours.

An approved provider may have different sessions of care at a particular service. Each session of care may consist of a different minimum period of time in respect of which an approved provider may charge a different fee. A session of care may run concurrently with one or more other sessions of care.

## Fee relief from other sources (calculating the hourly session fee)

We understand that it is the Government's intention that current policy for calculating the hourly session fee will not change under the legislation. We support the policy intent behind ensuring that any subsidies provided in respect of individual child for the purposes of reducing out-of-pocket costs are passed onto the family via the CCS system. We understand that this provision is designed to ensure that a service that is receiving a subsidy specifically targeted to reduce out-of-pocket costs for an individual child from another agency passes on that fee relief (for example, from a State Government provided to an individual child specifically for additional fee relief for preschool or kindergarten program). However, the provision should make clear that this does not apply to other per-child program related funding (for example, a per-capita grant from a State Government for the delivery of a preschool or kindergarten program).

Goodstart recommends that the implementation of this provision is further considered in consultation with the sector to ensure there aren't any unintended consequences that result in an increase in the out-of-pocket costs for vulnerable children and families.

**Goodstart recommends clarifying that this section should only be applied to subsidies provided by a Government or Government agency that are provided specifically to reduce an individual child's out-of-pocket costs. Goodstart recommends that the implementation of this provision is further considered in consultation with the sector to ensure there aren't any unintended consequences that result in an increase in the out-of-pocket costs for vulnerable children and families.**

Bill reference: proposed subclause 2(2) of Schedule 2 of the Act: Hourly rate of CCS

*Suggested legislative amendment:*

We recommend that it is clarified that subclause 2(2)(b)(i) relates to any subsidy (other than CCS or ACCS) which the individual receives from a Government or Government agency in respect of that session and reduces the amount the individual is liable to pay for that session.

## Hourly billing

Goodstart, like the vast majority of LDCs, generally charges a daily fee for long day care attendances because this allows services to efficiently manage costs while maximising flexibility for families and keeping overall downward pressure on prices. This approach recognises children arrive and depart at different times each day, and staff must be available for the full day.

We welcome the Government's commitment that it will not be pursuing an hourly billing approach as part of the roll-out of this subsidy. We note that issues relating to the adequacy of the hourly fee cap would need to be considered in any future moves to hourly billing or an hours attended approach for the allocation of subsidy.

We also note an intention from Government for services to offer shorter sessional offerings for working families. There are three likely consequences of this approach:

- Parents would have less flexibility overall as they would be required to commit to very specific pick-up and drop-off times, with additional fees likely to apply if parents vary from these times.
- Revenue would drop but the cost base, particularly rent, would remain the same. The consequence would be that the effective hourly rate would have to increase up to cover the difference.
- Services may move to lower their labour cost base by limiting opening hours. This would be more efficient but would also limit parents' flexibility.

These outcomes would disadvantage those families that need to access child care for longer hours as they would bear the brunt of higher fees, while families seeking to access just a few hours care would also face higher fees in order to cover fixed costs and to manage the risk of offering hourly or part-day sessions.

We understand that Government intends to gather information about child care usage once the new system is implemented. Goodstart notes that changes to the sector are likely to take time. Services will be limited in their capacity to make major changes to their business model halfway through the year in addition to the significant IT and business system changes required for the new subsidy system. We look forward to continuing to work with the Government on this issue and the implementation of these reforms to ensure families can access affordable flexible early learning and care.

## Ministerial Determinations

We note that several key features of the new CCS and ACCS including who will be eligible, how approval processes will work and other definitions such as 'Session of Care' will be outlined in Ministerial Determinations. In the absence of these documents or a more detailed clarification of Government's policy intent in these areas it is difficult to determine what the exact impacts on children, families and services will be.

Determinations that should be finalised as a matter of priority, or the policy intent formally clarified include:

- Determinations relating to approved activities and exemptions
- Any determinations or operational provisions relating to transitional arrangements and reconciliations, including for the low-income result
- Determinations relating to the definition of 'Session of Care'
- Determinations relating to the eligibility for ACCS (at risk).

Ideally, exposure drafts of these key determinations should be provided or the policy intent clarified and provided to the Committee before it finalises their report.

**We recommend that the Senate Committee review drafts of the key proposed Ministerial Determinations and / or clarify the policy intent where possible so Senators can make an informed assessment of the real world impacts of the changes on children, families and services.**

**This would include key determinations relating to definitions of approved activity, exemptions and other components of subsidy eligibility and reconciliation.**

## Maintaining affordability and indexation

Indexation of the fee-cap, annual cap and income thresholds is important to ensure the subsidy continues to maintain affordability over time. Childcare fees have been increasing above inflation, largely reflecting increased labour and facilities costs in delivering childcare. The Government's fee projection model shows that long day care prices are projected to continue to increase by more than 6% in the first two years of the new subsidy – much above the projected CPI of 2.5%. Goodstart notes that this discrepancy will mean that childcare is less affordable over time as out-of-pocket costs for families increase as a proportion of their income.

### Indexing income thresholds

Goodstart also notes that the methodology in the Bill for applying indexation is less generous than the current methodology, with only the lowest income threshold independently indexed. This will also erode value of the subsidy over time and will impact middle income families. To avoid this issue, it would have been preferable to independently index each income threshold as currently occurs.

### Setting and indexing the hourly fee cap

The Productivity Commission recommended a bi-annual review and adjustment of their recommended 'benchmark price' which was based on real price information. We commend the Government for adopting the hourly-fee cap approach and for setting the fee cap above the median fee with reference to actual prices paid by families (i.e. 17.5% above the adjusted average price). As the hourly fee cap is based on real price information, it would have been preferable for the hourly fee cap to be revised annually to ensure it is maintaining affordability by applying this formula.

We also note that a review of the hourly fee cap will also be necessary if Government eventually pursues an 'hourly billing' methodology where families can only claim subsidies for the hours they actually attend early learning. As Goodstart has raised through recent consultation processes and the PC Inquiry, the hourly fee cap set for the subsidy is based on real fee information that reflects current billing practices which maximise flexibility for families by charging a daily fee that spreads costs across a full day for all attendances. Benefits of this approach include that it is simple for families to understand, it maximises flexibility because families are not 'locked-in' to specific pick-up or drop-off times and it keeps overall downward pressure on prices for most families by spreading fixed costs across all attendances.

If the Government wants services to shift to hourly billing or part-day sessional billing practices, the hourly cost or 'hourly session fee' of these services will increase relative to the hourly cost for a full day. In this event, the hourly fee cap would be inadequate and would need to be recalculated and adjusted upwards.

**Goodstart recommends a review of the Child Care Assistance Package is undertaken in July 2019 with a focus on the subsidy level, hourly fee-cap, annual cap and income thresholds and whether they remain effective in meeting the goals of the Child Care Assistance Package to improve affordability for families. This review should be conducted every three to five years with adjustments made accordingly.**

**Goodstart recommends that the Government develop robust indicators of affordability objectives and reports on these on an annual basis.**

Bill reference: proposed amendments to Schedule 4 of the Act: Indexation and adjustment of amounts



## Meeting Compliance and Reporting Requirements – the ICT System

There are opportunities to improve the ICT systems for families, services and Government. However, to date the sector has had very little information in terms of the possible processes, options or costs. The new system represents a major overhaul of existing systems and is likely to come at a considerable cost. We consider that it will require major changes to business processes, ICT infrastructure, hardware and communications with families.

We also note that it is particularly important to get the new ICT system right because it will be responsible for facilitating the compliance and reporting requirements for both families and services. There must be adequate consultation mechanisms for the development of the new ICT system and it will be important to ensure adequate review mechanisms are in place to mitigate risks to families and providers in meeting their obligations. We also believe the ICT system must be underpinned by policy to support families that transition within the subsidy with an overarching goal of reducing red-tape and regulatory burden for services and families. New limitations around backdating records may increase regulatory burden if the timeframes are inadequate to accommodate normal processes for clarifying information with families.

Consequently, the risks associated with the roll-out of the new system are very high. We note that there were major problems associated with the last major overhaul of the child care subsidy system in 2000. To ensure risks are appropriately identified and mitigated, Goodstart recommends that an additional consultation mechanism is established with services to progress the development of the new ICT system. This process should include an opportunity to fully consider the relative costs and benefits of various options. Transitional arrangements and other support, including financial support for the implementation of the new ICT system may also be necessary and should be considered.

The Senate also needs to assure itself that sufficient time is available to build and appropriately test the new ICT system before the new system goes live on July 1 2017. This is especially important as the new activity test will see many parents having to report more often to Centrelink than they currently do.

**Goodstart recommends that an additional consultation mechanism is established with services to progress the development of the new ICT system.**

**Goodstart recommends that in the event that the new ICT system is not ready to implement the new subsidy from 1 July 2017, then families must receive additional fee relief by increasing the rate of the existing Child Care Benefit and increasing the Child Care Rebate annual cap by reallocating the available investment for the new Child Care Subsidy.**

## Administrative amendments

The Bill contains a wide range of other technical amendments and Goodstart makes the following recommendations to ensure the reforms are workable in practice:

**Goodstart recommends amending section 204B(6) of the Admin Act to increase the length of time a service can amend historical attendance records in the child care system from 28 days to 49 days in order to ensure there is adequate time to collect and verify information and to allow time for interactions with the transitional arrangements within other parts of the Bill.**

Bill reference: proposed subsection 204B(6) of the Admin Act: Requirements to report for enrolled children

**Goodstart recommends clarifying section 67CB of the Admin Act to make clear that once a child is assessed as eligible, the subsidy will be paid from the date of application, not the date of approval.**

Bill reference: proposed section 67CB of the Admin Act: Entitlements to be paid CCS or ACCS

**Goodstart recommends clarifying section 201B of the Admin Act to provide some guidance around what the department considers to be 'all reasonable steps'.**

Bill reference: proposed section 201B of the Admin Act: Enforcing payment of hourly session fees

**Goodstart notes that that given the complexity associated with the amendments to the Admin Act, other recommendations may be provided before the Committee reports.**

Bill reference: various, Administration Act amendments.

## 8. Other issues not addressed in the Bill

The *Jobs for Families Child Care Package* included several other components that are not addressed in the Bill. In this chapter we address some of those components to provide the Committee with additional background about policy decisions underpinning the CCS. This chapter addresses issues by exception, rather than addressing all components of the package. The Early Learning and Care Council of Australia submission includes more comprehensive information about other components of the package. Goodstart would be happy to provide any additional information the Committee requires.

### **Abolishing support in high fee services**

Goodstart supported the Access to Affordability Support announced in the May Budget. We believe this additional subsidy support is important to address cost barriers for low and middle income families in high fee markets. We were disappointed when this measure was dropped late last year.

We assessed the potential impacts of the removal of the Access to Affordability Support on families at three Goodstart centres with Nursery prices that exceed the hourly fee cap. We considered families earning annual incomes of \$65,000 and \$100,000, who met the activity test, and who used the centres 3 days per week. Under current proposal, these families were between \$4 and \$56 per week worse off than the original proposal by removing the top-up subsidy. When the top-up subsidy was included, all families were better off (\$11-\$65 per week) than under the existing CCB and CCR system, but when the top-up subsidy was removed from the proposal some families were up to \$28 per week worse off than under the existing system.

We understand that the previous proposal to deliver Access to Affordability support was deemed to be too complex and costly to administer. We believe that support for these families is still an important policy objective that is worth pursuing. A possible alternative solution could be that families earning less than \$100,000 in very high fee locations, e.g. 120% above the fee cap are exempt from the benchmark fee cap. This would still provide a strong price restraint on high income families in high fee services, while ensuring that low income families in high fee localities (such as inner Sydney or Melbourne), particularly accessing higher priced nursery places, are not worse off under the reforms. In any event, Government should monitor the number of low and middle income families (i.e. families below \$65,710 and below \$100,000) accessing services priced 120% above the hourly fee cap to determine if a targeted policy response should be developed.

### **100 hours per fortnight limit**

A limit of 100 hours a fortnight is consistent with current CCB rules of up to 50 hours a week, and the fortnightly application could potentially deliver more flexibility. However, depending on a parents working schedule and centre opening hours, it may not cover full-time work as the Government intends. For example, at 11.5 hours a day (the average opening hours across the Goodstart network), 100 hours would cover 8.7 days a fortnight.

There is an existing provision for families to apply on a case-by-case basis for additional CCB hours to meet their work commitments, we are pleased that this is also available within the new Bill. Further guidance should be provided to outline how accessible the Government intends this provision to be.

### **Families with multiple children**

Goodstart considers that payment arrangements should recognise that families with several children in care spend a larger share of their disposable income on early learning and childcare, and face stronger cost pressures (and associated workforce disincentives). The Report on Government Services showed the significant increases in the percentage of weekly disposable income spent on childcare for families with two children. The increases have occurred across all income levels over the past five years in families —from 14.9 per cent to 17.3 per cent.

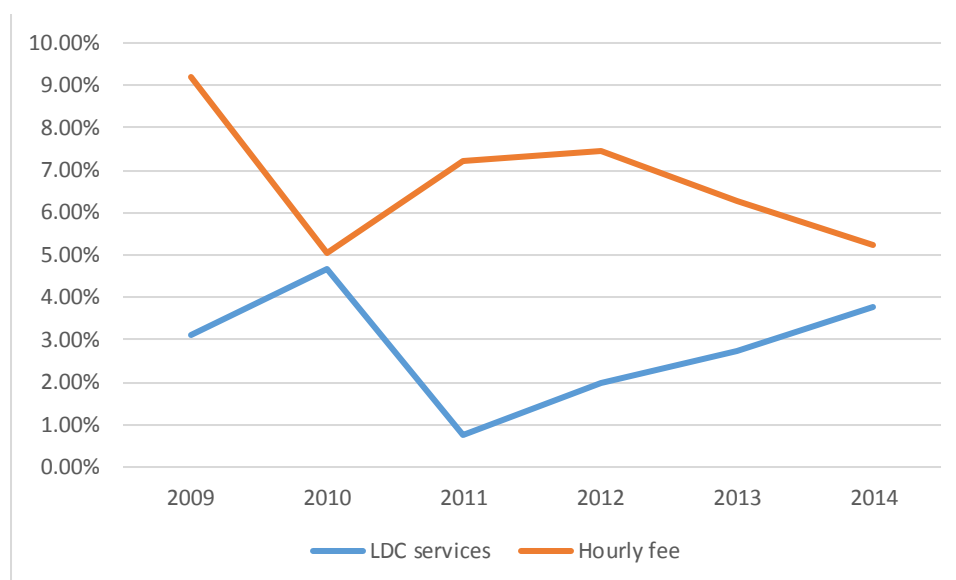
A 'child add-on' would reduce the impacts of effective marginal tax rates and would help ensure it was affordable for women from low- and middle-income families to return to work when they have more than one young child. We note that the Government has decided to discontinue this approach in the move to CCS and this may disadvantage families with multiple children under the age of five.

### Price Pressures

A concern for policy makers could be that the benefit of the new subsidy is eroded by fee increases rather than flowing to families. Goodstart contends that this is unlikely to happen because of significant policy and market differences since the last subsidy reform in 2008.

The childcare market is increasingly competitive and the ability for an operator to unilaterally increase prices is weak. Productivity Commission analysis found that 95% of centres had at least one potential competitor within 5km, and at least half of all long day care providers set their fees within 5% of the local average fee.<sup>65</sup> The supply of long day care and family day care places has been accelerating in recent years, and that this has put pressure on long day care fees where prices increases have been slowing according to Departmental data:

**LONG DAY CARE – INCREASE IN NUMBER OF SERVICES AND HOURLY FEES (% p.a.)**



Source: DSS *Early Childhood and Childcare in Summary* various issues (Sept Qtr.)

In the three years to September 2014, the growth in the number of long day care centres (8.7%) exceeded the growth in the number of children in long day care (8.3%). Enrolments in family day care have also doubled in the last five years. Market analysts such as CLSA have warned that competition in the sector is likely to put considerable pressure on childcare prices in coming years.<sup>66</sup>

Structural features of the new childcare subsidy will make it difficult to increase prices in many markets, as subsidies will be capped above the benchmark fee and the rate of subsidy paid to high income families will fall from 50% to 20%. The legislation also includes new compliance powers for the Government, including the power for the minister to make legislative instruments to place a pause on child care service applications in relation to a particular service type for a defined period.

<sup>65</sup> PC 2014 report pp 427-431

<sup>66</sup> Gold Coast Bulletin 22/4/2015 "Shares in Gold Coast's G8 Education dive after company warns of a hike in childcare fees"

" <http://www.goldcoastbulletin.com.au/business/shares-in-gold-coasts-g8-education-dive-after-company-warns-of-a-hike-in-childcare-fees/story-fnjc2dm2-1227314088159>

## **Nannies and In-Home Care**

Goodstart supports the targeted approach the Government has taken with the Nannies Trial. We note that lower than expected demand reflects our experience in offering outside-standard-hours care. We also note that Family Day Care (FDC) already provides other flexible childcare options that suit the needs of many families that work outside of standard LDC hours. Moving forward it will be important to continue to support Family Day Care in delivering these flexible options. Goodstart supports FDC because services come within the National Quality Framework, educators meet national minimum qualification requirements and because shared care FDC models deliver a more efficient return on tax-payer investment than in-home nannies.

In considering the outcomes of the nannies trial, Government should take into account the overall likely impact on workforce participation, employment behaviour and outcomes for children relative to other options for investment in early learning and care. Goodstart also believes that all early childhood education and care services in receipt of Australian Government funding should come within the National Quality Framework to ensure consistent minimum standards and a minimum return investment by tax payers.

## 9. Appendix 1

### Abbreviations

ACCS	Additional Child Care Subsidy
AEDC	Australian Early Development Census
CCB	Child Care Benefit
CCS	Child Care Subsidy
CCR	Child Care Rebate
DHS	Department of Human Services
ECEC	Early Childhood Education and Care
GCCB	Grandparent Child Care Benefit
ISS	Inclusion Support Subsidy
JET / JETCCA	Jobs Education and Training Child Care Assistance
LDC	Long Day Care
NAPLAN	National Assessment Program – Literacy and Numeracy
NQS	National Quality Standard
NQF	National Quality Framework
OECD	Organisation for Economic Co-operation and Development
PC	Productivity Commission
RIS	Regulation Impact Statement
SCCB	Special Child Care Benefit
SEIFA	Socio-Economic Indexes for Areas
the Act	A New Tax System (Family Assistance) Act 1999 (Cth)
the Admin Act	A New Tax System (Family Assistance) (Administration) Act 199 (Cth)
the Bill	Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015

# Behind Goodstart

Goodstart was created by a partnership of organisations who saw the potential of early learning to transform Australia. They wanted to address one of the key sources of many future problems—poor early childhood experiences.

It made perfect sense for these groups to pool their energy and invest in early learning to fix the root cause of so many social problems.

**benevolent**  
SOCIETY

Formed in 1813, The Benevolent Society is Australia's first charity. It is a not-for-profit and non-religious organisation that helps people, families and communities achieve positive change through support and education.

**SVA**  
social ventures australia

Social Ventures Australia is a non-profit organisation established to improve the lives of people in need. It focuses on keys to overcoming disadvantage, including great education, sustainable jobs, stable housing and appropriate health, disability and community services.

  
**Brotherhood  
of St. Laurence**  
Working for an Australia free of poverty

The Brotherhood is a not-for-profit organisation that works to alleviate and prevent poverty through research, services and advocacy. It is a non-government, community-based organisation that supports people experiencing disadvantage at all stages of life to build a better future for themselves and their families.

**MISSION  
AUSTRALIA**

Mission Australia is a non-denominational Christian community service organisation that aims to reduce homelessness and strengthen communities across Australia. It works to help people secure jobs, receive an education, find housing and develop important life skills.

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Western Australia Government

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learning**

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**goodstart.org.au**