Goodstart Early Learning: 2023 Pre-Budget Submission to the Australian Treasury

January 2023

PRE-BUDGET SUBMISSION TO THE AUSTRALIAN TREASURY – BUDGET 2023

About Goodstart

We are for children, not profit

Goodstart Early Learning (Goodstart) is Australia's largest not-for-profit social enterprise and Australia's largest provider of early childhood education and care, with 661 centres located across every state and territory, supporting more than 63,600 children from 53,700 families with a team of 15,000 employees. Our organisation also includes 26 Big Fat Smile services, including the *Include Me* Inclusion Agency.

As a not-for-profit social enterprise, our purpose is to ensure all Australia's children have the learning, development and wellbeing outcomes they need for school and life. It is our view that all children should be supported to participate in quality early learning and care, regardless of where they live in Australia, their family circumstances, their inclusion support needs, or their early learning setting. We believe the best way to do this is to ensure all children have access to high quality, inclusive early learning and care, no matter their location or life circumstances.

Summary

Goodstart welcomes the Australian Government's Cheaper Child Care Reforms, commencing in July 2023, which will extend more generous subsidies for children participating in early childhood education and care (ECEC) to substantially improve affordability. This will help boost workforce participation for parents and carers – especially women – by lowering their effective marginal tax rates and reducing financial disincentives to paid work.

While we are immensely grateful for these reforms, in the face of a growing teacher and educator shortage, the reforms must be complemented by significant investment in the ECEC workforce to ensure all families have the opportunity to benefit from more affordable ECEC. The ECEC workforce needs improved pay and conditions, starting with an immediate increase in wages through a government-funded subsidy to ensure we have the educators necessary to deliver these reforms. Without this investment, families may not be able to access additional days of early learning or face long waitlists, which means measures to improve affordability will not translate to children's increased participation in early learning or parents' increased workforce participation.[1] We were pleased to hear the Government's commitments to the ECEC workforce last year and trust this is high on the agenda for 2023.

We strongly support the Government's election commitments to a universal ECEC system and the development of an Early Years Strategy. We look forward to participating in the Australian Competition and Consumer Commission (ACCC) Childcare Inquiry; the development of a whole-of-government Early Years Strategy, and a Productivity Commission Review of the ECEC sector. Together, these initiatives will help inform a truly universal child-centred early learning system that provides affordable access to quality services for all children, regardless of where they live, their inclusion support needs or their family's circumstance.

With a view to these broader reforms occurring through 2023, this pre-budget submission focusses on the immediate investment necessary for the July Cheaper Child Care reforms to improve access and affordability for all children.

As a priority for the upcoming budget, <u>we ask Government to</u>:

- Invest in the early childhood education and care workforce to ensure there are enough educators and teachers to meet increased demand from the *Cheaper Child Care* reforms from July 2023, so all families can realise the benefits of improved affordability and increased workforce participation.

[1] https://www.abc.net.au/news/2022-11-03/child-care-is-cheaper-but-the-workers-arent-there/101608292

- Follow implementation advice from SNAICC and other organisations, such as THRYVE, to remove barriers and ensure the implementation of the base entitlement for First Nations children is a success.
- Amend the activity test to remove barriers to access for children from low income, low activity families, who are the most likely to benefit from early learning but the least likely to attend.
- Improve the Inclusion Development Fund (Inclusion Support Program), so all children are supported to fully participate in early learning, regardless of their inclusion support needs.
- Reset the Child Care Subsidy hourly rate to restore it to its original value.

Specific recommendations – to be implemented before 1 July 2023

Early childhood education and care workforce:

1. Fund a 15% interim wage rise for early childhood educators and teachers before 1 July 2023 to ensure all children and families can benefit from the *Cheaper Childcare* reforms and the *Secure Jobs, Better Pay* workplace relations reforms.
2. Provide at least $100 million per annum additional investment to bring forward and fund initiatives in the National ECEC Workforce Strategy Implementation Plan.

Affordability:

3. Restore the affordability of early childhood education and care by resetting the Hourly Rate Cap to reflect the 85th percentile of fees to restore the fee cap to its original set value.
4. Invest in improving the *Starting Blocks* website, so families can accurately compare service offer and fees, out-of-pocket costs, and quality.

Access for all children:

5. Immediately amend the activity test to subsidise access to at least two days per week (minimum of CCS40 per fortnight) for children likely to be experiencing vulnerability.
6. Immediately increase the Inclusion Support Program additional educator hourly rate (from $23.00/hour to $33.00/hour) plus ongoing indexation and remove the 25/40 hour per week support caps.
7. Increase the Additional Child Care Subsidy – Child Wellbeing Certificate length to at least 13 weeks and grant all children in out-of-home care (foster care) 12 month Determinations (even if reunified with family).
8. Extend the preschool activity test exemption to two years before school to support State-based reforms to extend preschool access to 3 year old children and ahead of an expanded Preschool Reform Agreement to fund two years of preschool.
9. Follow implementation advice from SNAICC and other organisations, such as THRYVE, to remove barriers and ensure the implementation of the base entitlement for First Nations children is a success.

ACRONYMS & ABBREVIATIONS

ACCS	Additional Child Care Subsidy
ACECQA	Australian Children's Education and Care Quality Authority
CCB/CCR	Child Care Benefit / Child Care Rebate (i.e. precursor to CCS)
CCS	Child Care Subsidy
ECEC	Early childhood education and care
ECT	Early childhood teacher
HECS	Higher Education Contribution Scheme
IDF / ISP	Inclusion Development Fund / Inclusion Support Program

RECOMMENDATIONS IN DETAIL

Supporting the early childhood education and care workforce

Recommendation 1: Fund a 15% wage rise for early childhood educators and teachers before 1 July 2023 to ensure all children and families can benefit from the *Cheaper Childcare* reforms.

Key points:

- Cheaper childcare reforms commencing from 1 July 2023 will improve affordability and therefore increase demand for early childhood education and care (ECEC) places.
- Attrition of teachers and educators is currently at record levels but slowing current attrition rates to pre-pandemic levels would help meet increased demand.
- Employee exit surveys indicate pay and conditions is the primary reason for teachers and educators leaving the ECEC sector, particularly as they are lower than equivalent roles in schools.

The Cheaper Childcare reforms to the Child Care Subsidy (CCS), due to commence on 1 July 2023, must be complemented by wages supplement for early childhood educators and teachers to stabilise the workforce. The reforms are estimated to generate 185,000-220,000[2] additional days of work, equating to 1.85-2.2 million hours of care. This will require 40,000-48,000 additional days of educator time – or around 9,000 additional educators. The current attrition rate across the sector are at around twice pre-pandemic levels. Without investment in after tax wages for educators to slow current attrition rates, staffing shortages are likely to see families unable to access the additional places they want, facing long wait lists and access issues.

The best way of finding the 10,000 additional educators needed to deliver the extra places for parents responding to the affordability reforms is to slow the record levels of attrition from the sector. Educators and teachers enjoy much higher wages and conditions in publicly funded Government schools than in the ECEC sector. An experienced Certificate III educator on award rates earns around 30% less than an experienced teacher aide in a public (government) school, even though teacher aides do not require a formal qualification. An experienced teacher earns around 40% less. See table below:

Table 1: Educator and teacher wages in long day care centres and public schools

Classification	Award rate (p.a.)	NSW Educ. Dept rate[3]	VIC Educ. Dept rate[4]	QLD Educ. Dept rate[5]
Educator Cert III commencement[1]	$49,095	$62,620	$53,301	$54,761
Educator Cert III maximum rate[1]	$52,384	$70,254	$68,260	$70,963
Teacher graduate[2]	$66,395	$74,070	$74,976	$75,471
Teacher proficient[2]	$72,572	$89,336	$79,782[6]	$82,917[6]
Teacher maximum rate[2]	$79,005	$110,473	$111,221	$104,780

[1] Children's Services Award 1/7/2022, NSW Education Paraprofessional (Cert III qualified), Victorian Education Support Officer Level 1 Range 2; [2]Educational Services (Teachers) Award as determined from 1/1/2022 following 2021 work vale case; [3]NSWCrown Employees (Teachers in Schools and Related Employees) Salaries and Conditions Award; [4]Victorian Government Schools Agreement 2022; [5]Teacher rates 1/1/2022, teacher aide rates 1/3/2022. New Enterprise Agreement currently being balloted will increase these rates by 4%. [6] Third pay-point assuming 2 years of service to reach proficient.

---

2 Grattan Institute, Cheaper Child Care is a win-win-win policy, July 2022.

The Government has recognised that wages for early childhood workers are unacceptably low; a direct result of systemic undervaluation of the work of a 97%-female sector. As the Prime Minister said last September[3]:

> *"The inescapable, uncomfortable reality is that the workforces with the most women are the ones with the least bargaining power – and, as a result, the lowest pay. Aged care. Child care. Disability care. Heroes of the pandemic.*
>
> *"Workers we celebrate as essential, people who give expression to our Australian values:*
> 1. *looking after our loved ones when they grow older*
> 2. *educating our children*
> 3. *empowering Australians with disability to fulfil their potential.*
>
> *"The Australians doing these jobs are among the best of us – but they are getting the worst of the deal."*

Since then, the Government has supported wage increases for disability workers[4] and a 15% wage rise for aged care workers.[5] But it is yet to make a commitment to fund early childhood workers. Investment needs to happen before the 2023 CCS reforms commence.

The sector, including Goodstart, peak bodies and unions, are working on developing a framework to ensure that any funded wage rise for early childhood workers would be passed on in full through an appropriate industrial instrument, taking full advantage of the amendments in the Government's *Secure Jobs, Better Pay* reforms. However, without a Government commitment to fund wages in this year's budget, it is unlikely that wage relief for the sector would arrive in time to meet the expected increase in demand for places and staff in July.

A wage rise of at least 15% should be paid to all early childhood workers to commence as soon as possible to secure the workforce ahead of next year's reforms. Such a wage rise should be conditional on employers passing on the wage increase in full through an enterprise agreement.

In the longer term, the ACCC and Productivity Commission need to consider the creation of an ECEC system and financing instrument that supports high quality, affordable ECEC for families as well as long term, sustainable increases in educator's and teacher's wages. This should specifically include ensuring the Child Care Subsidy or alternative funding instrument/s have a stronger and more direct link to wages and conditions for early childhood workers, noting human services cost increases tend to be higher than CPI.

Recommendation 2: Allocate at least $100 million per annum in additional investment to fund initiatives in the National ECEC Workforce Strategy Implementation Plan.

Key points:

- As well as increased wages, the ECEC workforce needs professional recognition, improved attraction and retention, professional development, wellbeing and career pathways.
- There has not been a national ECEC workforce strategy since 2012. The 2021 strategy, *Shaping our Future*, did not include any new funding.
- To have meaningful impact, strategies being investigated and considered in the Implementation Plan – and others – need to be fully funded.

Goodstart welcomed the decision by the Government to waive HECS debts for Early Childhood Teachers (ECTs) who work in very remote areas for at least four years. While welcome, the relief is too narrow and

---

3 Hon. Anthony Albanese speech to CEDA 8/9/2022 https://www.pm.gov.au/media/ceda-state-nation-conference-parliament-house-canberra

4 https://www.asumembers.org.au/union_won_ndis_funding_increase

5 https://www.health.gov.au/ministers/the-hon-mark-butler-mp/media/a-pay-rise-for-aged-care-workers

covers just one of the 200 centres Goodstart has in regional centres across Australia. We encourage the Government to go further and offer to waive HECS Fee Help repayments for ECTs (and educators studying to become ECTs) in all Remote and Outer Regional locations, as well as in centres in SEIFA 1-3 areas. This would help to stabilise and grow the early childhood teacher workforce in areas we know are the hardest to attract and retain teachers.

The early childhood teacher crisis in ECEC is acute and has been for a long time. The Federal Government's monthly vacancies index shows that, in December 2022, there were 2,493 new vacancies lodged for ECTs, the 7th month in a row that new monthly vacancies exceeded 2,000.[6] By contrast, in 2020, there were just 2,051 completions in early childhood teacher courses in the entire year and commencements were already down on the number recorded four years before.[7]

The workforce challenges faced by the ECEC sector are not new but have been exacerbated by the COVID-19 pandemic. In December 2022, more than 7,000 new vacancies were recorded for ECTs, early childhood educators and managers, compared to 5,685 in December 2021, and 3,039 in December 2019.[8] The ECEC workforce has had a very tough three years. With high absenteeism due to COVID and attrition rates[9], we remain concerned that this will soon translate to a shortage of ECEC places, children missing out on early learning, parents unable to work or study and increased costs to families as services cover salaries in an increasingly competitive labour market. Many centres are already reporting that they are unable to enrol children because they cannot find the educators to care for them.

In October 2021, Education Ministers endorsed *Shaping our Future: A ten-year strategy to ensure a sustainable high-quality children's education and care workforce 2022-2031* (the Strategy). The strategy sets short, medium and long-term goals centred around six themes: professional recognition; attraction and retention; leadership and capability; educator wellbeing; qualifications and career pathways; and data and evidence.

The Strategy did not, however, include any new funding. Funding made available for the subsequent Implementation Plan initially focussed on reviews, research and consideration, rather than direct initiatives to support the workforce. In order for the Strategy to have meaningful impact, the Australian Government must commit new investment to underpin the Implementation Plan. We ask that Government allocate at least $100 million per annum in additional investment to fulfil activities and initiatives in this Implementation Plan. States and Territories should be encouraged to match this funding, with initiatives to be developed on priority issues in close consultation with the sector.

Investment should focus on three key overriding strategies – all of which are aligned with the Government endorsed ECEC Workforce Strategy:

1. Improve the ability of the sector to attract and support traineeships for educators and support educators to upgrade to Bachelor qualifications;
2. Support the fast-tracking of immigration as a source of additional employees, particularly for Diploma and Bachelor qualified educators; and
3. Improve retention of current employees and attract new employees by building and publicising the professional capability of early childhood professionals and closing gaps in pay and conditions compared with the school sector.

---

[6] https://www.jobsandskills.gov.au/work/internet-vacancy-index
[7] https://www.dese.gov.au/higher-education-statistics/resources/2020-section-8-special-courses
[8] Internet Vacancy Index data Jobs
[9] CELA (2021), Investing in our Future: Growing the education and care workforce. The Australian 9 January 2021, "Concern over the quality of childcare due to staff shortage".

Supporting affordability

Recommendation 3: Restore the affordability of early childhood education and care by resetting the Hourly Rate Cap to reflect the 85th percentile of fees and restore the fee cap to its original set value.

Key points:

- When it was announced in 2015, the CCS hourly rate cap was originally set at the 85th percentile of fees, which was around 17.5% above the mean hourly fee. Set at this level, the cap was effective at keeping downward pressure on prices in most markets and maintaining affordability for families.
- The rate cap has been losing value over time as it is indexed at CPI, so is not keeping pace with wages and rents. It should be reset to at least its 2015 level of 17.5% above the mean hourly fee.
- The review of the hourly fee cap was scheduled for 2020. It was a Morrison Government commitment in its response to the Independent Evaluation of the Child Care Package in 2021. However, the review did not commence until 2022 and is not yet finalised or implemented.
- Under a singular hourly rate cap, families face higher hourly fees if they access shorter sessions, enrol in birth to three rooms (generally with higher fees due to higher ratios), attend high cost locations (e.g. the ACT or inner city suburbs in capital cities) or their provider chooses not to charge fees on public holidays.
- The proportion of sessions that exceed the fee cap has been steadily rising since 2018, steadily eroding affordability of care for many families.
- The hourly CCS rate should be reset at 85th percentile of fees ahead of July reforms to support affordability and local market objectives.

When it was released in 2015, the Jobs for Families Child Care Package was designed to make a family earning between \$65,000–\$170,000 per annum around \$30 a week better off.[10] However, the Child Care Subsidy settings have not kept up with changes in the economy in terms of increases in wages and other costs of delivery, which are then reflected in fees.

The original rate cap was set at the 85th percentile of fees but that has rapidly declined over time. The percentage of services charging fees above the cap has been steadily rising since 2018. In December 2018, 11.0% of centre based care service and 20.6% of family day care services had an average fee that exceeded the hourly fee cap. By September 2021, that rose to 15.7% of centre based care services and 31.8% of family day care services.[11] The proportion of actual sessions that exceed the hourly fee cap is much larger than that because:

- Nursery and Toddler (birth to 3) rooms tend to have higher fees because of the higher staff ratios;
- Shorter sessions (6, 9 and 10 hours) have higher hourly fees than longer session (11 and 12 hours);
- Inner metro services have higher fees because of high property costs and regional and remote locations may have higher fees due to higher costs of attracting staff, particularly teachers; and
- Some providers, including Goodstart, choose not to charge for fees for public holidays as families cannot access the service, so fixed costs are necessarily recovered over other sessions.

The (then) Government anticipated that the hourly rate cap would support flexible session lengths. However, the CCS hourly cap does not support the objective of flexible sessions of care (i.e. less than 10 hours) as it only offers a static subsidy rate, even though shorter sessions require fixed costs (like wages and rent) to be recovered over a shorter period.

The hourly fee cap also impedes the ability of providers to offer substantial wage rises to their employees to match school rates. With around 67% of Goodstart's costs going to wages, a substantial wage rise would

---

[10] Scott Morrison MP media release, 10 May 2015, 'Jobs for Families Child Care Package delivers choice for families'.
[11] Departmental quarterly data https://www.education.gov.au/child-care-package/early-childhood-data-and-reports/data-usage-services-fees-and-subsidies

mean a substantial fee rise that would push many session fees above the fee cap, eroding affordability for families. With families facing cost of living pressures this is not a viable option for most providers.

The Australian Government commissioned a review of the CCS hourly rate cap in 2022. As the CCS system approaches 5 years in July 2023, it is time for Government to restore affordability to the original level announced in the 2015 Budget (85th percentile of fees). Special consideration should also be given to high cost settings, such as nurseries and metropolitan locations, as well as setting separate, higher hourly caps for shorter sessions of care. We also support a review of the Family Day Care rate cap.

We trust that the ACCC and Productivity Commission will consider how to ensure ECEC affordability is maintained over time. This should specifically include ensuring the Child Care Subsidy or alternative funding instrument/s have a stronger and more direct link to wages and conditions for early childhood workers, noting human services cost increases tend to be higher than CPI. We look forward to discussing this with ACCC and Productivity Commission and working together on this issue.

Supporting all children to access high quality early learning

Recommendation 4: Invest in improving the *Starting Blocks* website before July, so families can accurately compare service offer and fees, out-of-pocket costs, and quality.

Key points:

- Improvements in transparency, including reporting real-time fees and fee increases, are to be implemented *Starting Blocks* website.
- The *Starting Blocks* website is already falling short of providing families with accurate, comparable information about fees, discounts, quality and out of pocket costs.
- Immediate investment is required to ensure this website meets the needs of families and supports the Government's reform objectives around transparency and affordability.

Goodstart supports the Government's proposals to expand the requirement for large providers to report fees, fee increases and costs to the public through the Starting Blocks website. We already publish much of this information publicly in our Annual Reports, which are on our website, and provide a breakdown of fees to our families each year.

Real time transparency of fees provides multiple benefits. It gives families good information as they shop around local centres. It gives providers real-time information on local market conditions and strengthens competition at a local level. It also gives policy makers real-time information on what is happening with fees and affordability.

From a family perspective, *Starting Blocks* is not helpful in understanding price, quality or out of pocket costs because:

1. Fees are not current, with examples of some reported fees being up to 4 years old.
2. Published fees are 'typical daily fees' with no standardised session length, so families are not able to compare like-for-like, for example:
   - A daily fee may be for a 7.5 hour session and another for a 12 hour session.
   - Fees may not be consistent across all rooms (e.g. nurseries compared with toddler rooms).
2. Session lengths are not reported alongside daily fees, so families are not able to calculate their hourly fee (the linked Child Care Subsidy calculator requires hourly fees to be entered to estimate out of pocket costs).
4. There is no information about whether a service is CCS-eligible, so families are not able to accurately determine their out of pocket costs (and no information is available about state preschool or kindergarten subsidies).
5. No information is available regarding discounts offered by providers, e.g. multi-day enrolments, multiple children from one family, etc.
6. Quality ratings (NQS) may be up to 6 years old, depending on the frequency of assessment and ratings conducted by state regulatory authorities.

Investment in improvements to *Starting Blocks* will support the Government's affordability and transparency reforms and helps families make informed choices about their child's early learning service. We will be sharing our experiences with ACCC to inform their inquiry.

Recommendation 5: Immediately amend the activity test to subsidise access to at least two days per week (minimum of CCS40 per fortnight) for children likely to be experiencing vulnerability, ahead of introducing a base entitlement of at least three days per week for all children.

Key points:

- Children from low income, low activity families are eligible for 24 hours of subsidised care per fortnight. (This is half the 48 hour per fortnight entitlement under the previous CCB/CCR system.)
- This cohort of children and families are the most likely to benefit from early learning but the least likely to attend (and most likely to exit).
- Low income families are facing higher out of pocket costs because they enrol for more hours than they are subsidised for or their hourly fee for shorter sessions exceeds the CCS hourly rate cap.
- Access to affordable early learning also supports families to accept work when it is offered or available, including casual or ad-hoc employment.
- To ensure these children and families are able to share the benefits of the July reforms, they must be able to access at least two full days per week of early learning (minimum 40 hours CCS per fortnight).
    - NB. The base entitlement for First Nations children should also be increased to at least CCS40 to align.

Children from low income, low activity families are more likely to experience vulnerability and disadvantage and are more likely to start school developmentally vulnerable.[12] The evidence that tells us at least two days a week (and preferably consecutive days) is the minimum amount children should participate in early learning programs to provide a protective factor against developmental vulnerability and other forms of disadvantage. The current activity test result of 24 hours per fortnight does not support two days per week of early learning for vulnerable children and must be increased to at least 40 hours per week, ahead of a base entitlement being introduced for all children (likely to be considered through the development of an Early Years Strategy and/or the imminent Productivity Commission Review).

The previous Government's Jobs for Families package reduced the minimum entitlement to subsidised hours from 48 to 24 subsidised hours per fortnight for low-income families who do not meet the activity test. As a result of this policy change, children from low income, low activity families have been disappearing from ECEC. The reduction has been so staggering that, although this element of the CCS Safety Net was intended to support approximately 5.3% of CCS recipients, it is only supporting around 1.3%.[13]

The AIFS evaluation report stated that, where low income, low activity families were accessing two days of early learning per week, they were paying significantly more than other working families. This is because shorter sessions (e.g. 6-9 hour sessions) are rarely offered due to the economic limitations of recovering fixed costs, such as wages and rent, over a shorter period. Where they are offered, such as at Goodstart, the hourly fee exceeds the CCS hourly rate cap. So, low income families are either paying higher out of pocket costs due to the hourly costs of shorter sessions or high out of pocket costs due to unsubsidised hours when accessing longer sessions. Either way, families who are least able to afford early learning have higher out-of-pocket cost than other families with more hours of CCS entitlement, as demonstrated by the example below (**Table 2**).

[12] p.208-209, AIFS (2021) Child Care Package Evaluation: Final Report; Impact Economics (2022), "Childcare Subsidy Activity Test: Undermining Child Development and Parental Participation".

[13] Senate Estimates QON SQ19-000479; Senate Estimates QON SQ22-000062.

Table 2. Low-income families with only 36hrs/fortnight can pay double the cost

Example – Two families with CCS90% enrolling for pre-kindy in an LDC		
SCENARIO **Daily pre-kindy fee $127.50**	**Family A has CCS48hrs+ and can enrol in a 10, 11 or 12-hour day**	**Family B has only 36hrs and therefore enrols in a 9-hr day**
Current hourly fee cap $12.72 **Total annual fees for 2 days a week = $13,260**	Hourly rate - $10.62 - $12.75 (Under hourly cap) CCS therefore covers $11,934 p/year Leaving $1,326 residual Out of Pocket or **$25.50 a week/ $12.75 a day**	Hourly rate - $14.16 (Over hourly cap by $1.44 p/hour = $13.02/day) CCS therefore covers $10,715 p/year Leaving $2,545 residual Out of Pocket or **$48.95 a week/ $24.48 a day**

Children who are only eligible for 24 or 36 subsidised hours per fortnight are the most likely to drop out of early learning. Recent statistical analysis by Goodstart of children leaving early learning before school and involving approximately 160,000 children, found that children on CCS24hrs and CCS36hrs are the most likely to exit and are significantly more likely to exit than children with more CCS hours (34% more likely) and children who are not experiencing vulnerability at all (39% more likely).[6]

Increasing the activity test exemption to at least 40 subsidised hours per fortnight will support children in jobless households, in households with irregular work and other vulnerable children can access at least two days of early learning each week. This should be implemented before July 2023, so vulnerable children and families are able to benefit from the Cheaper Childcare reforms. Future reforms, such as those considered by the Productivity Commission review, should consider a base entitlement to at least three days of low-to-no cost early learning for all children, consistent with the Centre for Policy Development's *Starting Better: A Guarantee for Young Children and Families*[14]. An even simpler approach would be to abolish the activity test, as recommended by SNAICC: National Voice for our Children[15] and the Impact Economics and Policy report[16] on the impacts of the activity test.

In the longer term, the Productivity Commission and development of an Early Years Strategy should consider universal access to affordable, high quality early learning, regardless of where a child lives or their family's circumstances. This should also include the adoption of a market stewardship and monitoring approach to ensure affordability, quality and inclusion for all children and families.

Recommendation 6: Immediately increase the Inclusion Support Program additional educator hourly rate (from $23.00/hour to $33.00/hour) plus ongoing indexation and remove the 25/40 hour per week support caps.

Key points:

- ISP funding (additional educator) an important part of the CCS Safety Net, as it is the only funding for above-ratio educators in ECEC services to support children with additional support needs.
- This funding is intended to ensure all children are supported to fully participate in early learning and support their parent's workforce participation but is inadequate in terms of the hourly rate and hours of support with providers left to cover the gap in costs.
- The ISP funding must be increased to address financial disincentives to enrolling children with higher support needs.

An important component of the Inclusion Support Program (ISP) is the funding provided to cover the wages cost for an additional (above ratio) educator in an early learning room, so that children with a disability, developmental delay, trauma-related behaviours or other inclusion support need are able to participate in early learning. This is intended to address the financial disincentives for enrolling children with higher support needs and supports both the child's early learning needs and parental workforce

[14] Centre for Policy Development (2021), Starting Better: A Guarantee for Young Children and Families.
[15] SNAICC (2022), *More accessible childcare a step in the right direction*.
[16] Impact Economics and Policy (2022), Child Care Subsidy Activity Test: Undermining Child Development and Parental Participation.

participation. However, immediate action is required to address the loss in the value of the ISP educator wage subsidy over time, as the funded hourly rate is not indexed and the ISP-funded hours are insufficient to support early learning for a child whose parent works three or more days a week.

The additional educator subsidy has been losing value over time…

Since 2016, no indexation has been applied to the hourly rate for the wages subsidy, even though award wages for early childhood educators have increased 3.1% per annum (on average) during the same period (see **Table 1**). For most providers, the compounding impact of the growth in wages is 20% over the past six years. As we pay above-Award rates at Goodstart, the difference in the subsidy rate and our educator's rate is significant (at least $4 per hour cost to Goodstart not covered by the ISP funding).

This means the subsidy continues to lose value as wages increase and no longer covers even the lowest possible qualification level (Cert III, Pay Point 1) creating a financial disincentive to enrol children with inclusion support needs, as they won't be able to adequately support them. This means children requiring the most highly skilled educators can only be supported, at best, by those who have the lowest level qualifications. Some providers, like Goodstart, direct our social purpose investment to meet these gaps and ensure children have access to the skilled professionals they need. When employing an additional educator to support a child's inclusion needs, experience is paramount and other skills and capabilities are often necessary based on a child's individual needs (such as medical management or peg feeding, for example). However, under the ISP Guidelines, the subsidy rate for centre-based day care (and OSHC and vacation care) is $23.00 per hour.[1] According to the *Children's Services Award* (Pay Guide 2022) a Certificate III early childhood educator with two years of experience on a casual engagement would earn $33.03 per hour (Certificate III, Pay Point 3, casual rate) and a Diploma-qualified educator with two years' experience on a casual loading would earn $34.85 per hour.[2] The casual rate is the appropriate rate for funding because many ISP funding contracts are short-term. Even where longer term or permanent employees are engaged in ISP fund, overheads (e.g. superannuation, leave, workers comp, tax levies) need to be paid, which are typically around 25% of wage.

Table 1: Modern award increases – early childhood educators

Date	Modern award increases	CPI Indexation (to Dec qtr.)
July 2017	3.3%	1.7%
July 2018	3.5%	1.9%
July 2019	3.0%	1.8%
July 2020	1.75%	1.85%
July 2021	2.5%	0.9%
July 2022	4.6%	3.5%

… and children are not always funded for all their hours of attendance.

The ISP funding cap (25 hours for an individual child) does not align with CCS eligibility of up to 50 hours per week. Even in a shared care arrangement (supporting two or more children) – which is not available for all children – funding is only provided for up to 40 hours per week. This limits the workforce participation of parents of children with a disability or other inclusion support need, who we know have lower workforce participation than other parents[17].

To ensure the ISP continues to achieve its policy objective of supporting children with inclusion support needs to participate in early learning, we recommend the ISP subsidy rate be immediately increased to $33.00 an hour and indexed annually at least at CPI, consistent with increases in the award rate and the funding allocation to the ISP must be increased to match funding to the hours a child attends early learning

[17] Spencer, N (2014), 'Family Matters: Impacts of caring for a child with chronic health problems on parental work status and security'.

and care (i.e. remove the 25 and 40 hours per week limits). These immediate changes are needed to ensure all children are supported to fully participate in early learning.

These immediate measures will improve the existing funding program and the planned review of the IDF will ideally improve the program further. However, the ACCC and Productivity Commission should explicitly consider the most effective way to address cost and non-cost barriers to provide a safety net that supports access and inclusion for all children to fully participate in early learning.

Recommendation 8: Simplify access to early learning for children at risk by increasing the Additional Child Care Subsidy – Child Wellbeing Certificate length to at least 13 weeks and grant all children in out-of-home care (foster care) 12 month Determinations (even if reunified with family).

Key points:

- ACCS Child Wellbeing is a critical part of the CCS Safety Net that supports children at risk of abuse or neglect, including those in out-of-home (foster) care.
- The current ACCS Certificate length (6-weeks) is insufficient for providers to establish a family's trust and obtain consent, make referrals and gather evidence for further support (Determination).
- Children in foster care for any period are likely to remain vulnerable or 'at risk', even if they are reunified with their family. Providing 12 months of additional subsidy reduces administrative barriers and supports continuity of early learning in recognition of this continued vulnerability.
- While this is likely to be considered as part of the Early Years Summit, this simple change should be made before July to safeguard children at risk of abuse and neglect.

Increasing the ACCS Certificate length from 6 to 13 weeks

When a provider considers a child is 'at risk of serious abuse or neglect',[18] a service can immediately give an ACCS Child Wellbeing Certificate for up to 6 weeks in any 12 months period[19]. However, the current 6-week Certificate duration is often insufficient for even the most skilled centre teams to establish trust and rapport with the family and meet the requirements for applying for an ACCS Determination, both in terms of gaining supporting evidence and gaining a family's consent to make the required referral to an appropriate support agency.

These issues are often magnified as a result of a family's complexities, e.g. escaping domestic and family violence, trauma, socioeconomic disadvantage, low levels of educational attainment, etc. This process can be particularly confronting for Aboriginal and Torres Strait Islander families who, as a result of inter-generational trauma, may be reluctant to engage with processes involving government agencies or relating to child protection. The risks associated with hastening this process of engagement and gaining agreement to make a referral is that some families disengage from the process – either by declining to proceed with an application to continue ACCS or even by withdrawing the child from early learning, which is counter to the objectives of the ACCS.

In response to this feedback from the sector, the Department of Education commissioned a research project in 2022 to understand the experience of providers around ACCS, hear directly from First Nations families, and consider alternative solutions. As well as issues around the brevity of the Certificate length, the Department also sought to understand whether the language of children being 'at risk of abuse or neglect' was also a barrier for some families accessing this support, particularly First Nations families. Findings from the Department's research are yet to be published but we understand providers consistently indicated the ACCS Certificate length was too short.

As an immediate measure, increasing the ACCS Certificate period from 6 weeks to 13 weeks would provide sufficient time to support new families through the CCS application process, meaningfully engage with

[18] The circumstances in which a child is taken to be at risk of serious abuse or neglect are defined in the Child Care Subsidy Minister's Rules 2017 at section 9.

[19] FAAct section 85CB Certification for ACCS (child wellbeing), subsection (3).

vulnerable families, gain their agreement to make a referral and gather the evidence required to apply for a Determination.

Longer (12-month) Determinations for all children in foster care

When the new CCS system commenced in 2018, ACCS Determinations were for 'up to 13 weeks', even though it was originally intended they be approved for up to 12 months. The *Improving Assistance for Vulnerable and Disadvantaged Families) Bill 2020* extended the maximum period for an ACCS Determination period from 13 weeks to up to 12 months for certain cohorts of children, to be prescribed in the Minister's Rules. The Explanatory Memorandum stated the 12-month Determination be granted 'in circumstances where the child's situation results in them continuing to be 'at risk' for up to 12 months',[20] this ended up being narrowly defined as 'children on long term child protection orders'.

For a child to be removed from their family and placed in foster care, child safety agencies have assessed them as meeting an extremely high threshold, meaning they are the children at the highest risk in our community. They have often experienced trauma that impacts their early childhood development and may consequently experience multiple placements in the out-of-home care system. Where reunification occurs with the child's family, it is reasonable to expect a continued level of risk – at least during the transition period – as well as the vulnerability and disadvantage most of these families experience.

In recognition of the impact of the child's experience of abuse or neglect on their childhood development, as well as the fact their situation means they will continue to be at risk, we ask that all children in formal foster care (with the exception of the initial Temporary Assessment Order) be granted 12-month ACCS Determinations that are not revoked if they reunify with family. This supports the child's continued access to early learning and reduces administrative burden for families, providers, child safety services and Services Australia, as they will no longer be required to submit and approve evidence every 13 weeks.

Recommendation 8: Extend the preschool activity test exemption to two years before school ahead of an expanded Preschool Reform Agreement to fund two years of preschool.

There is a wealth of international evidence that shows that two years of preschool or kindergarten has more impact[21] than the one year that Australian currently provides, as confirmed in the *Lifting our Game* Report[22]. However, just 58 per cent of 3 year old children are currently enrolled in a preschool program in Australia, with the overwhelming majority of these in long day care, compared to 91% of children in the year before school.[23]

In the absence of national leadership from the Australian Government, state and territories are implementing varied models of preschool for three-year-old children, which may lead to different outcomes for Australia's children, i.e. both NSW and Victoria have announced significant investments to implement two years of preschool before school and South Australia is introducing a second year of preschool via its Royal Commission into Early Learning. Tasmania and the ACT are offering early learning (not preschool program) access for vulnerable 3-year-old children. As was the case before the introduction of the National Partnership Agreement on Universal Access to Early Childhood Education, accessing a second year of preschool depends on where you live and your family's circumstance and this may see the education gap between the 'haves' in the larger states and the 'have nots' in the smaller states widen.

As an early and necessary measure to align Australian Government and state preschool policies, the current CCS Preschool Exemption should be extended so children and families can access a minimum CCS entitlement of 36 hours per fortnight (ideally 40 hours per fortnight, noting Recommendation 5 above).

[20] Family Assistance Legislation Amendment (Improving Assistance For Vulnerable And Disadvantaged Families) Bill 2020: Revised Explanatory Memorandum.

[21] Mitchell Institute (2016), 'Two years of preschool are better than one.'

[22] Pascoe & Brennan (2017), Lifting our Game.

[23] Productivity Commission (2020) Report on Government Services tables 3A.18 & 3A.19.

This would ensure that children from families who do not meet the activity test – who we know are more likely to be vulnerable or disadvantaged[24] – are able to take full advantage of the State preschool access reforms in all settings. We would also urge the Government to continue to allow any fee relief provided by State Governments to improve access to preschool to be allocated the 'gap fee' after CCS is applied. Without this, low income, low activity families being encouraged into 3 year old preschool programs by state governments may continue to experience cost barriers to access as a result of the Australian Government's CCS settings (see **Table 2**).

In the longer term, the Productivity Commission should explicitly consider the most effective way to support nationally consistent access to preschool in the two years before full-time schooling, and in a way that supports working families. This would help ensure that all children across Australia get the best possible start in life, and that children in the States yet to embrace 3 year old preschool (e.g. Queensland and Western Australia) do not continue to fall behind their counterparts in the bigger states.

Recommendation 9: Follow implementation advice from SNAICC and other organisations, such as THRYVE, to remove barriers and ensure the implementation of the base entitlement for First Nations children is a success.

We strongly support the introduction of a base entitlement for all First Nations children, regardless of their family's income or activity, which commences in July 2023. This is an important first step in addressing the inequality and higher levels of vulnerability experienced by many Aboriginal and Torres Strait Islander children, who – according to the Australian Early Development Census – are twice as likely to start school behind.[25] This base entitlement is therefore important for improving access to early learning for First Nations children, which is proven to reduce the risk of children starting school developmentally vulnerable.

The level of entitlement of 36 hours per fortnight is unlikely to be sufficient for First Nations children to support affordable access to two full days of early learning, which the evidence tells us is the minimum dosage to improve school readiness. An entitlement of 36 hours per fortnight could subsidise two 9-hour sessions per week. However, not all providers offer shorter sessions, largely due to the affordability impacts for families of recovering fixed costs, such as wages and rent, over a shorter period. First Nations families may therefore continue to face affordability barriers to accessing early learning due to hourly rates that exceed the fee cap or paying for unsubsidised hours (see **Table 2**).

It is essential that First Nations children and families can easily access the additional subsidy and not have to face administrative barriers that non-Indigenous people do not face. Regarding this base entitlement, families should not have to contact Services Australia via telephone to identify their child as Aboriginal and/or Torres Strait Islander.

We encourage Government to follow the implementation advice of SNAICC – A Voice for Our Children and other Aboriginal and Torres Strait Islander voices and organisations, such as THRYVE, to ensure a smooth and effective implementation of the base entitlement for all First Nations children.

If you would like any further information about the contents of this submission, please contact:

Kelly Millar
National Social Policy Manager
Email: kmillar@goodstart.org.au

[24] Impact Economics "Childcare Subsidy Activity Test: Undermining Child Development and Parental Participation" August 2022

[25] AEDC 2021 Key findings, available here.