



# Pre-Budget Submission 2016-17



**Australian Childcare Alliance**

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## Introduction

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

## About the Sector

The early childhood education and care sector continues to grow, both in size and stature. As at 31 December 2015, there were 15 166 ECEC services operating across Australia, of which 14 089 were centre-based services (long day care, preschool and outside school hours care)<sup>1</sup>. Of these services, 43% are privately owned and operated, with the vast majority (83%) of approved providers operating only one service, and only 1% of approved providers operating 25 or more services. The most recent data provided by the Department of Education and Training<sup>2</sup> indicates that for the March quarter 2015, there were 1.21 million children across 821 880 families using approved child care in Australia, approximately 55% (660 760) of whom are in long day care, reflecting the growing demand for early childhood education and care services more closely aligned with work hours. The most recent *Report on Government Services*<sup>3</sup> confirms that 30.6% of all children aged 0-12 years attended Child Care Benefit (CCB) approved child care in 2015, an increase from 29% the year prior. Looking specifically at children aged 0-5 years, in 2015, 55.1% of all children aged 2 years; 61.8% of all children aged 3 years; and 54.2% of all children aged 4 years attended CCB-approved child care. The same report highlights the growing number of staff employed by CCB-approved child care services, with 99 655 paid primary contact staff employed in 2013.

## The 2016/17 Federal Budget

The 2016-17 Federal Budget presents an opportunity for the Federal government to set the scene for more targeted investment and long-term funding certainty for the ECEC sector. The \$3 billion increase in investment in the sector via the 'Jobs for Families' package – pending passage of the enabling legislation –combined with a total review of the early learning model across all sectors represents the strongest opportunity for government and the sectors to work collaboratively to ensure the success into the long term future of all children, the sector at large and the economy of our nation. However, ACA believes important amendments are urgently required to ensure that all children benefit from this investment. We have outlined these amendments separately in our submission<sup>4</sup> in response to the Senate Inquiry into the *With the Family Assistance Legislation Amendment (Child Care Measures) Bill (No 2) 2014*.

Whilst the Jobs for Families Child Care Assistance Package was a major focus of the 2015-16 Federal Budget, and is expected to be so again for the 2016-17 Budget, ACA urges the Federal Government to ensure that other important policies and programs that are integral to

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<sup>1</sup> ACECQA (2016) [National Quality Framework Snapshot Q4 2015](#)

<sup>2</sup> Department of Education and Training (2016) [Early Childhood and Child Care in Summary March quarter 2015](#)

<sup>3</sup> Productivity Commission (2016) [Report on Government Services](#)

<sup>4</sup> [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Education\\_and\\_Employment/jobs\\_for\\_families/Submissions](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/jobs_for_families/Submissions)

the sector are not forgotten. This submission identifies a number of these policies and programs that must be funded in the months and years ahead.

## Priorities for the 2016-17 Budget

### Jobs for Families Package

The key elements of the 'Jobs for Families' Child Care Assistance Package were announced in the lead up to the 2015-16 Budget, including a new single, streamlined Child Care Subsidy and Child Care Safety Net.

### Senate Inquiry

The *Family Assistance Legislation Amendment (Child Care Measures) Bill (No 2) 2014* was tabled in Parliament 2 December 2015, alongside an Explanatory Memorandum and the final Decision Regulation Impact Statement. The Bill is currently the subject of a Senate Inquiry, with the Senate Committee due to hand down its findings 17 March 2016. ACA lodged a detailed submission<sup>5</sup> in response to the inquiry, putting forward 20 recommended amendments to the Bill to deliver more equitable outcomes for children, families and the sector more broadly.

ACA remains extremely concerned that the proposed activity test, combined with the proposed income thresholds, will see children fall between the cracks. We understand the fiscal environment and subsequent need for constraints and funding adjustments. However, we will always advocate for the best possible policy settings to ensure the best possible outcomes for children.

ACA is continuing to play an important role in highlighting the unintended consequences of the package, particularly on vulnerable and disadvantaged children. These concerns were substantiated at the Senate Estimates Hearing held 10 February 2015, where it was confirmed that:

- approximately 45 000 families will be worse off under the package because the fees they are paying for early childhood education and care are higher than the benchmark price set by government; and
- approximately 37 000 families will be worse off under the new package because they will not meet the Activity Test requirements.

We now understand that the number of families who may be worse off under the package could be even higher, noting evidence presented at the recent public hearing for the Senate Inquiry into the Bill.\*

**Recommendation:**

***That the amendments recommended by the Australian Childcare Alliance in its submission in response to the Senate Inquiry into the Family Assistance Legislation Amendment (Child Care Measures) Bill (No 2) 2014 be adopted and reflected in the 2016-17 Federal Budget.***

<sup>5</sup>[http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Education\\_and\\_Employment/jobs\\_for\\_families/Submissions](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/jobs_for_families/Submissions)

\*EDUCATION AND EMPLOYMENT LEGISLATION COMMITTEE/[Family Assistance Legislation Amendment \(Child Care Measures\) Bill \(No. 2\) 2014/\(Public\)/FRIDAY, 4 MARCH 2016](#)

### **Nanny Trial**

Still on the package, ACA notes that uptake of the Interim Home Based Carer Subsidy Programme (Nanny Trial) has not been as strong as anticipated. Whilst originally intending to provide support for up to 10 000 children over a two year period from 1 Jan 2016 – 31 December 2017, it was confirmed in the 2015 Mid-Year Economic and Fiscal Outlook that the trial will be capped at 3000 places, saving \$61m over three years. ACA recommends that surplus funding from this program be redirected to offset any increased expenditure brought about by ACA's suggested amendments to the Bill.

**Recommendation:**

***That surplus funding from the Home Based Carer Subsidy Programme be redirected to offset any increased expenditure brought about by ACA's suggested amendments to the Family Assistance Legislation Amendment (Child Care Measures) Bill (No 2) 2014.***

### **Immediate Relief for Families**

The new single, streamlined Child Care Subsidy and the majority of elements of the Jobs for Families package will not commence until 1 July 2017 – assuming Senate support for the package is achieved in the weeks ahead. In the event that this does not happen, and the government takes the package to the 2016 Federal Election to seek a mandate from the electorate, implementation could be years away. ACA remains extremely concerned about what will happen to families in the interim, given the real and immediate affordability crisis facing families across many parts of the country.

The 2015-16 Budget highlighted a \$552million reduction in payments of Child Care Rebate and Child Care Benefit over the four years to 2017-18, which ACA argues is evidence of children already being withdrawn from the sector.

In addition, the freeze on indexation for the Child Care Benefit has already been in effect and hurting families for almost seven years. By July 2017 when the new Child Care Subsidy is scheduled to take effect, the Child Care Benefit will have been devalued over an extensive period of eight years.

**Recommendation:**

***That the freeze on indexation for the Child Care Benefit be lifted until the new Child Care Subsidy takes effect to give much needed financial relief for families now.***

### **Universal Access Funding**

In 2008, the Council of Australian Governments (CoAG) signed a *National Partnership Agreement on Early Childhood Education*<sup>6</sup>, less formally known as the Universal Access agreement. The agreement committed all Australian governments to achieving by 2013 universal access to early childhood education programs for all children in their year before school, delivered by university qualified Early Childhood Teachers, for 15hrs per week, 40 weeks per year.

<sup>6</sup> Council of Australian Governments (2008) [National Partnership Agreement on Early Childhood Education](#)

## Funding Certainty

ACA welcomed confirmation in the 2015 Federal Budget that \$840m, adjusted for the Consumer Price Index, would be provided to support preschool programmes for a further two calendar years. Whilst confirmation of two calendar years of funding provides a degree of funding certainty, current uncertainty surrounding the Given the 'Jobs for Families' package (see above), as well as the as-yet unknown impacts of the *Reform of the Federation White Paper* process<sup>7</sup>, creates a very volatile situation for families and service providers alike. As such, ACA recommends that Universal Access funding be extended to at least the 2018 calendar year to ensure that children in their year before school have access to a quality preschool programme. The benefits of this investment are sound and well established:

*"Early advantages accumulate. So do early disadvantages. Later remediation of early deficits is costly – redirecting additional funds towards the earlier years, before the state of traditional schooling, is a sound investment in the productivity and safety of our society. Such investment achieves 17% return per annum to the child and society".<sup>8</sup>*

### **Recommendation:**

***That the 2016-17 Federal Budget confirm 'Universal Access' funding via the National Partnership Agreement on Early Childhood Education through to at least 2018 in light of the staggered introduction of the 'Jobs for Families' Child Care Assistance Package.***

## Consistent Delivery Across Jurisdictions

ACA also strongly supported the requirement of the Turnbull Government's National Partnership Agreement on Universal Access to Early Childhood Education that State/Territory governments be required to support preschool programmes in all settings, including preschool programmes delivered in long day care settings. To date, 'Universal Access' funding arrangements, which *should* be viewed as positive investment in early childhood education and care, are seriously flawed in an implementation sense, undermining the potential widespread benefits of this investment.

Each State/Territory government has taken a different approach to implementation since inception of the agreement, leading to grossly inequitable outcomes for children, families and service providers alike. As an example, until 2015, the NSW Government had not provided any Universal Access funding to the privately owned long day care sector in NSW, despite the NSW Government's *Review of NSW Government Funding for Early Childhood Education*<sup>9</sup> making it clear that "families and children should benefit from the Government's investment in quality early childhood education programs regardless of whether they access a long day care centre or a preschool", a recommendation strongly endorsed by ACA.

This recommendation is consistent with the requirements of the *National Partnership Agreement on Universal Access to Early Childhood Education Intergovernmental Agreement on Federal Financial Relations*<sup>10</sup>, which states that the agreement "will be implemented consistently"; and that universal access would ensure the quality early childhood education program – defined as "a program delivered in the year before full-time schooling in a

<sup>7</sup> Department of Prime Minister and Cabinet (2014) <https://federation.dpmc.gov.au/>

<sup>8</sup> Heckman, J.J. (2006) *The Economics of Investing in Early Childhood*

<sup>9</sup> NSW Government (2012) [Review of NSW Government Funding for Early Childhood Education](#)

<sup>10</sup> Council of Australian Governments (2008) [National Partnership Agreement on Universal Access to Early Childhood Education Intergovernmental Agreement on Federal Financial Relations](#)

diversity of settings, including long day care centre based services, stand-alone preschools and preschools that are part of schools” – “would be delivered in a manner that met the needs of parents and working families”.

The Productivity Commission’s *Draft Report on Childcare and Early Childhood Learning*<sup>11</sup> suggested that “*Where preschool is undertaken in an LDC and states and territories are not passing on the universal access funding, this should be withheld from the state or territory by the Australian Government and paid directly to the LDCs*”. The Productivity Commission’s final report<sup>12</sup> in 2014 strongly recommended Universal Access funding be provided where preschool programs are delivered in long day care.

In July 2015, after years fighting for Universal Access funding to be provided to long day care services in NSW to support the delivery of preschool programs (as it is in some other jurisdictions), the NSW Government finally provided a very small proportion<sup>13</sup> of its funding to NSW long day care services via a \$20m “Long Day Care National Partnership Grants Program”. In October 2015, long day care services received a one-off payment of approximately \$300 per child. Whilst this is only 10% of the funding provided to long day care services in Queensland and Victoria, it was a positive start.

It should be noted that services in the ACT, Western Australia and Tasmania are still not receiving Universal Access funding for preschool programmes delivered in a long day care setting.

It is clear that children are reaping the rewards of Universal Access funding in Queensland and Victoria, where the intent of the Universal Access program has been embraced. ACA argues that all jurisdictions should be aiming for similar outcomes to ensure that the positive impacts that could be delivered via the Universal Access agreement are not undermined through inconsistent implementation across jurisdictions.

**Recommendation:**

***That State/Territory governments be required to deliver Universal Access funding to support preschool programmes in all settings, including preschool programmes delivered in long day care settings.***

## Innovation in Early Childhood

ACA is encouraged by the Federal Government’s strong desire to capitalise on the National Innovation and Science Agenda, including the provision of “opportunities for young Australians to get the skills they need for the jobs of tomorrow”<sup>14</sup>.

### Early Learning Languages Australia

ACA received very positive feedback from our members involved in the \$9.8 million one-year trial of the Early Learning Languages Australia (ELLA) programme, with strong demand for ELLA to be rolled out across the country in light of its effectiveness in assisting children to learn a language through app-based technology.

<sup>11</sup> Productivity Commission (2014) [Childcare and Early Childhood Learning: Productivity Commission Draft Report](#)

<sup>12</sup> Productivity Commission (2014) [Inquiry Report: Childcare and Early Childhood Learning](#), Recommendation 15.10

<sup>13</sup> Department of Education and Training (2015) [National Partnership Agreements web page](#)

<sup>14</sup> Australian Government (2016) <http://www.innovation.gov.au/>



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### Early Learning STEM Australia

ACA understands that an additional \$6 million will be provided to develop and disseminate a series of play-based apps called Early Learning STEM Australia (ELSA), aimed at fostering an interest and appreciation for science and mathematics among young children and their educators. Given how successful the ELLA trial was, ACA anticipates the ELSA trial will be over-subscribed without additional funding.

***Recommendation:***

***That the 2016-17 Federal Budget allocation for the Early Learning Languages Australia and Early Learning STEM Australia programmes be increased to assist in meeting the demand for resources to assist in the delivery of the National Innovation and Science Agenda.***



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