



29 April 2020

Senator Katy Gallagher, Committee Chair
c/o Committee Secretary
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Senator Gallagher

I write to you today as a matter of urgency. Over recent weeks it has become increasingly evident that there are a number of critical gaps in the Coronavirus Economic Response Package for family day care.

Herein I have outlined three simple adjustments, within the confines of the existing structures, that will alleviate the significant impact of the unintended consequences of the funding model for family day care. These are as follows:

1. *Guarantee provision for a JobKeeper equivalent via supplementary funding for ineligible educators and services*
2. *Apply a 7.5% loading to the base relief payment to account for 50% of service revenue usually sourced from educator/parent levies, thereby allowing closer to the full 50% of pre-COVID revenue to flow to educators*
3. *Commit to a transitional support package to assist in the return to CCSS and pre COVID-19 activity levels*

About Family Day Care Australia

Family Day Care Australia (FDCA) is an apolitical, not for profit, national member association representing more than 13,500 educator and service members. Our mission is to represent, support and promote the family day care sector in delivering high quality early childhood education and care (ECEC) to more Australian children.

About Family Day Care

The family day care sector is an essential part of the early childhood education and care (ECEC) sector, providing flexible, affordable and accessible education and care for more than 40 years and is regulated primarily under the *Education and Care Services National Law Act 2010*, the *Education and Care Services National Regulations* and Family Assistance Law.

The sector comprises a network of ECEC professionals, encompassing more than 520 services, 14,000 small business operators, with a bigger national footprint than the largest centre-based ECEC provider in Australia, supporting more than 78,000 families and 112,000 children¹.

¹ September 2019, Child Care in Australia quarterly report, Department of Education, Skills and Employment

While educators are registered with approved services, the overwhelming majority are contracted sole traders, running their own small business.

Family day care delivers care that other ECEC services types cannot. The family day care sector offers considerably higher levels of flexible sessions than long day care. For example, 84.7% of family day care services offer shorter sessions (up to 6 hours) compared to only 17.2% of long day care services. 94% of family day care services also offer longer sessions (7-12 hours)².

Family day care offers considerably higher levels of non-standard hours care as compared to the long day care sector. 88.2% of family day care services offer sessions of care on weekdays before 7am or after 6pm, compared with 45.7% of long day care services³. Significantly, 85.5% of family day care services offer care on weekends, compared with a mere 0.5% of long day care services⁴. Additionally, 47.5% of family day care services offer overnight care, as compared with 0% of long day care services⁵. This flexibility is critical in catering now, and in the future, for the needs of Australian families, given the changing nature of work, and particularly now, in the context of the COVID-19 pandemic.

The family day care sector also provides much needed ECEC for Australian families in areas of high disadvantage, with 22.6% of educators providing family day care in areas that are ranked in the two highest deciles on the SEIFA index and over half of educators (51.4%) being located in areas ranked in the first five deciles of the SEIFA index⁶. Furthermore, 24.3% of family day educators operate in regional and remote areas of Australia. In some of these areas, family day care is the only option available for child care⁷.

Issues and recommendations

1. Guarantee provision for a JobKeeper equivalent via supplementary funding for ineligible educators and services

For family day care, the two key pillars of the Coronavirus Economic Response Package are the ECEC Relief Package and Jobkeeper. The simultaneous interaction of the two pillars is integral to the model's capacity to fulfil its intended purpose and was the premise upon which the model was presented to the sector.

Ineligibility for JobKeeper in any instance for family day care is a catastrophic failing of the system. In the absence of an adequate solution via the JobKeeper program, provision for a "JobKeeper equivalent" must be guaranteed under the ECEC Relief Package supplementary payment mechanism. While we are aware of positive movement in this space through our ongoing direct engagement with the Department of Education, Skills and Employment, the sector needs an immediate and expedited outcome on this matter.

Family day care educators are micro businesses, mostly running on extremely low margins, and without the requisite cash reserves to cover any period of *significant* revenue interruption. Any lag in the implementation of this outcome is unsustainable and would render these small businesses unviable.

Additionally, like the JobKeeper payment, the "JobKeeper equivalent " should be backdated to 30 March 2020.

² Baxter, J., Budinski, M., Carroll, M., Hand, K., Rogers, C., Smart, J., Bray, J.R., Gray, M., Blaxland, M., Katz, I., & Skattebol J. (2019) *Child Care Package Evaluation: Early monitoring report*. (Research Report). Melbourne: Australian Institute of Family Studies.

³ *Ibid.*

⁴ *Ibid.*

⁵ *Ibid.*

⁶ FDCA Family Day Care Sector Profile, June 2019

⁷ *Ibid.*

2. Apply a 7.5% loading to the base relief payment to account for 50% of service revenue usually sourced from educator/parent levies, thereby allowing closer to the full 50% of pre-COVID revenue to flow to educators

The funding model in its current form fails to account for service revenue previously generated by way of parent/educator levies, which has a subsequent impact on services' capacity to continue to fulfil their role, maintain viability and meet their regulatory obligations.

The failure of the funding model to recognise the role of the family day care service leaves the service no option but to withhold a portion of the total base relief payment, thereby eroding the funds available to disburse to educators.

The reduction in available disbursement to educators compromises the capacity of the service to use the entire base relief payment to balance the variances in pre and post COVID-19 revenue across the educators in its service; compounding and disproportionately disadvantaging those providing the most care. This must surely contravene the model's intent.

Furthermore, there is an important distinction to make between the family day care and centre-based care models in relation to the functioning of variable costs. Unlike centre-based care, the family day care service's staffing ratio obligations under the *Education and Care Services National Regulations* are linked to the number educators, not the number of children.

Given the sector is not seeing a wholesale reduction in educators, and the service's staffing ratio is linked to the number of educators, as outlined above, regardless of attendances at the educator level, there is no change to the service's staffing requirements and therefore no change to its variable costs.

The rationale for the specific 7.5 % loading is informed by FDCA's work with Deloitte to assist in developing disbursement guidance for services. The modelling indicated that the average total service levy revenue under the previous Child Care Subsidy System was 15% of the total fee. It stands to reason that applying a 7.5% loading to the base relief payment would equate to 50% of the service's previous revenue, and thereby allow the service to disburse all, or thereabouts, of the base relief payment on to educators.

3. Commit to a transitional support package to assist in the return to CCSS and pre COVID-19 activity levels

The unintended consequences of the model's design on family day care are undeniably evident. As we transition out of the COVID-19 pandemic and seek to reactivate the economy, family day care will have a vital role to play. However, without coherent and informed transitional support, sector viability will again be exposed.

The input of the sector in the design of this transitional support package is vital in ensuring any further unintended consequences are minimised and that the rebuilding effort is not compromised.

The intent of the funding package was well founded, but its design requires immediate adjustment for family day care.

For many, family day care is the option of choice; for many children, families and communities, it is their only choice.

Family day care is on the frontline. Services and educators are still providing care, still working, still supporting families and essential workers, supporting the Australian economy through, and out of, the COVID-19 pandemic.

In the broader context of assessing the Australian Government's response to the COVID-19 pandemic, in particular in the design and implementation of the ECEC Relief Package, it must be noted that family day care educators have experienced ubiquitous financial uncertainty and loss, which has created extreme anxiety. Family day care educators and service staff are still caring for Australia's children; their mental health and wellbeing is important. The work they do is important. They are important.

The three simple adjustments proposed herein will make a significant impact in reducing the unintended consequences of the funding model for family day care.

I cannot stress enough the urgency of the situation. Thank you for the consideration of the Committee in these matters.

Yours sincerely

Andrew Paterson
Chief Executive Officer
Family Day Care Australia