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**Family Assistance Legislation Amendment
(Jobs for Families Child Care Package) Bill 2015**

Submission to Senate Education and Employment Committee

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Never Stand Still

Arts & Social Sciences

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Senate Education and Employment Committees
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Thank you for the opportunity to comment on the Family Assistance Legislation Amendment Bill 2015. The provisions of the Bill make some improvements to the previous system. However, as we have shown in submissions to previous inquiries and consultations¹, the Bill introduces provisions that will increase the complexity and reduce accessibility and affordability for some of the most vulnerable children and families. These provisions unravel the core values of Australia's current childcare system, which (through Child Care Benefit) allows all children access to 24/week of subsidised ECEC, regardless of parents' workforce participation.

The Bill's complex three-tiered activity test will be a poor fit with the needs of the contemporary labour force. In the 21st century, many employees are required to work in 'flexible ways', including rotating shifts, irregular and unpredictable hours. The activity test (and its aim of excluding children whose parents are not in the labour force) is also out of touch with international best practice, which has seen many countries expand universal provision for preschool aged children. Children in countries across the Western world are entitled, in their own right, to participate in a high quality early childhood education and care program (including the United Kingdom and New Zealand). This is a more effective approach for reaching vulnerable children (Barnett et al, 2010).

The Explanatory Memorandum states

"The Bill is compatible with human rights. The current system is complex and difficult for families to navigate. It is inflexible and does not effectively meet families' workforce participation needs. The Bill supports and advances articles under the ICCPR, the CRC and the ICESCR which will ultimately enable parents who wish to work, or to work more, by providing a simpler, more affordable, more flexible and more accessible child care system. To the extent that the proposed Bill may limit some rights, those limitations are reasonable, necessary and proportionate (pp8-9).

Our analysis suggests the opposite. The package will reduce access, introduce unprecedented complexity, and reduce flexibility and affordability for the most vulnerable families.

1. Complexity

It is claimed that a single means-tested, and activity-tested, subsidy – to replace the current CCB and CCR – will make the system easier to understand. While the single subsidy is welcome, the new, three-tiered activity test introduces a level of complexity never seen before in the Australian childcare system.

Parents who have insecure, variable or unpredictable employment will not know from week to week what their entitlement to subsidy will be. Yet parents working in these types of jobs are often trying to gain a foothold in a precarious labour market that offers ‘zero hours’ contracts and other forms of limited employment. The package makes access to ECEC more complex for these families and is thus the completely wrong direction for policy.

The new, three-tiered **activity test** fails to acknowledge Australia’s increasingly flexible and unpredictable labour market. It is likely to confuse and intimidate parents rather than support their workforce participationⁱⁱ. As indicated in research done by the Human Rights Commission, it is not uncommon for parents working part-time to have to pay for full-time child care. For example, a teacher working 0.5 FTE may have classes distributed across five daysⁱⁱⁱ. Under the current system, this parent would be eligible for CCB and CCR for all the hours of child care used (assuming the annual cap is not reached). Under the new Child Care Subsidy, this parent may not be eligible for a subsidy for all the hours of child care used. In such circumstances, parents do not necessarily have the choice to work more hours. There will likely be incentives to not use child care for the hours that are unsubsidised, and therefore will potentially have to reduce their workforce participation.

The package imposes heavy administrative burdens and red tape on providers.

The rules surrounding eligibility for the Additional Child Care Subsidy (at risk) impose administrative burdens on service providers and are damaging and stigmatising to children and families.

A simple system would provide access to ECEC to every child regardless of parents’ workforce status.

2. Accessibility

The package strongly favours families with regular, predictable hours of work but reduces access for others. This is out of touch with the realities of modern life. In nearly 60% all couple families, one or both parents usually works between 7pm and 7am; in 41% of families, one or both parents work shift work and in 15 per cent of families one or both parents work weekends.^{iv}

The Bill states

“Article 9 of the ICESCR recognises the right of everyone to social security. Under the Bill all families who meet basic eligibility criteria will be eligible for some fee assistance through the CCS, so long as they also meet an activity test. Additionally, children at risk, families

experiencing temporary financial hardship and families transitioning from income support to work will be eligible for further support through ACCS payments that will ensure all children have access to an adequate child care, regardless of circumstances.”

In this excerpt, the provision “so long as they meet an activity test” goes against the core concept of accessibility.

Under the package, parents’ hours of work will determine the hours that children can access ECEC. Less parental employment equates to less early education and care. Yet the research is clear: children from disadvantaged and jobless families gain the most from quality child care.

The Additional Child Care Subsidy (at risk)(temporary hardship)(transitioning to employment) is claimed to enhance access for these groups; however, for many of the groups of children and families eligible for ACCS, the process for approval of ACCS imposes a barrier to use these services. The short-term approval (12 and 13 weeks for transitioning to work and temporary financial hardship, respectively) does not reflect the reality of families regularly cycling in and out of work and financial hardship. Consistent access to subsidised services provides stability for the child, and also a platform for parents to overcome the temporary hardship, whether it be domestic violence, family separation, unemployment or other trauma-related events.

Families eligible for the ACCS (low-income) are faced with reduced access (from 48 to 24 hours per fortnight), and increased complexity. Families with unpredictable employment will face uncertainty as to whether they will be eligible for the CCS. Families with very casualised work may be on the cusp of \$65,000 and also on the cusp of meeting the 8-hour per fortnight activity test. Families risk the possibility of NOT meeting either the means-test or the activity test, thereby being liable for the full-cost of child care. Faced with insecure work and the need to navigate a means-test and an activity test, some families may simply choose not to put their children in child care.

In addition, the Community Child Care Fund does not address long-term sustainability of vital Budget Based Funded (BBF) services. Our expectation is that many services will be unable to transition to mainstream funding and children may lose access entirely if closures result. Even where services can make the transition, fees are likely impose a barrier to many children’s participation.

An accessible system would enable all children to access child care, regardless of their parents’ income, location, workforce participation, cultural or ethnic background.

3. Affordability

The move to a single means-tested subsidy is welcome, and the introduction of a benchmark fee addresses concerns about the inflationary effects of the Child Care Rebate. The new income threshold and lower CCS rate (from 50% to 20%) for higher income families is also welcomed as a recognition that families earning above \$250,000 can afford to pay a greater proportion of the cost of child care.

The proposed Child Care Subsidy, and its benchmark fee and activity test, will make child care more affordable for most low- to middle-income families *with predictable, secure and standards hours employment*. However, this does not equate to accessible and equitable ECEC.

More work is required to determine the actual cost of delivering care. For example, variable benchmark fees may be required to take account of the higher costs for infant care (0-2s).

Sector consultation is required to determine the actual cost of delivering high quality ECEC to different age groups in different settings and locations.

4. Flexibility

The nanny trial is the only initiative that addresses flexibility. However, with the fee benchmark set at only \$7 per hour per child, nanny care will not be an option for most families.

There are no measures in the package that will make LDC more flexible – indeed, many of the new rules (discussed above) will make it more rigid.

The 12 hours subsidy for children whose parents do not meet the activity test introduces a new rigidity into the system. Most centres charge a full day rate, so families limited to 12 hours subsidy will typically have access to only one day of early learning and care. One day is not sufficient for children to settle into a service, develop bonds with educators and peers.

The removal of minimum opening hours for services may decrease the flexibility for families at small centres.

Family Day Care has the potential to offer flexible services but has been excluded from most elements of the Community Child Care Fund. In regional areas where Long Day Care is not sustainable, Family Day Care may be more appropriate service model.

Flexible childcare is achieved by enabling a range of providers (not just nannies) to meet families' needs for variable, non-standard and unpredictable hours of care.

ⁱ Submissions were made to the Productivity Commission inquiry into Childcare and Early Childhood Learning (2014); Senate Inquiry into the immediate future of the childcare sector (2014); Senate Inquiry into the delivery of affordable and quality early childhood education and care (2014); Consultation to the Regulatory Impact Statement for the Childcare Package (2015).

ⁱⁱ Skattebol, J. et al (2014) *Families at the Centre*, Kensington, UNSW. (This project showed confusing bureaucratic language and complex form-filling can act as a deterrent to ECEC usage.)

ⁱⁱⁱ Australian Human Rights Commission, *Supporting Working Parents: Pregnancy and Return to Work National Review – Report* (2014), p86. At https://www.humanrights.gov.au/sites/default/files/document/publication/SWP_Report_2014.pdf

^{iv} Australian Bureau of Statistics. (2009). Work, life and family balance ABS Australian Social Trends (Vol. 4102.0)