



**Regulation Impact Statement
Jobs for Families Child Care Package**

Submission

January 2016



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Introduction

The MAV is the legislated peak body for local government in Victoria. Victorian councils remain critically interested and involved in the provision of childcare and early childhood services and therefore we welcome the opportunity to provide a response to the *Regulation Impact Statement – Jobs for Families Child Care Package*. The MAV would like to acknowledge the additional investment proposed by the Commonwealth Government as this is an important and significant reform. In addition it is encouraging to see further consideration and exploration of options put forward and the additional opportunity the MAV and sector now have to assist with the shaping of the package to ensure all children can exercise their right to high quality early childhood education and care.

Councils are the leading provider of children's services and early years infrastructure in Victoria. All Victorian councils are committed to the aim of providing children in the municipality with the best possible start in life through effective planning, development and provision of services that improve health, connectedness, education and care of children and their families. Local government has responsibilities for local planning around all of these services as well as providing a strong local early years platform and in Victoria engages with all families through the Maternal and Child Health Service under a legislated requirement to follow up all birth notifications.

The work local government has undertaken particularly over the past six years with the implementation of universal access to 15 hours of kindergarten has shown that the provision of early childhood education and care (ECEC) in Victoria is a core part of the economic and social fabric of communities and municipalities.

In recent years the MAV has provided submissions and participated in workshops and hearings on the issue of Early Childhood Education and Care as follows:

- February 2014 MAV provided a submission to the PC Inquiry into Child Care and Early Childhood Development
- March 2014 MAV provided a response to Senate Inquiry into the delivery of quality and affordable early childhood education and care services
- March 2014 MAV provided a response to Senate Inquiry into the immediate future of the childcare sector in Australia
- August 2014 MAV presented to the PC Hearing in Melbourne
- September 2014 MAV provided a submission to the PC Draft Report into Child Care and Early Childhood Development
- September 2014 MAV attended PC workshop on Deemed Cost of childcare
- November 2014 MAV participated in consultation session of the NQF RIS
- January 2015 MAV provided a submission to the Education Council NQF RIS proposed options for changes to the National Quality Framework



- July 2015 MAV provided submission to RIS on Child Care Assistance Package
- January 2016 MAV provides submission to RIS on Jobs for Families Child Care Package – Senate Inquiry

The MAV restates its position on ECEC, which is underpinned by long standing and fundamental values of access and equity for all children to high quality, affordable and accessible services that support and enhance their development and potential to become contributors to the society they live in.

The MAV position to the Commonwealth and State governments remains as follows:

- Support for all families by ensuring affordability and flexibility of choice in high quality childcare options that optimise children’s learning and development
- Maintain public investment in a universal approach to early childhood education and care with a priority focus on vulnerable families
- Provision of infrastructure support for capital, workforce, planning and integrated facilities and regulatory requirements
- All levels of government planning and funding to be reviewed to ensure greater collaboration and greater strategic use of available resources.

Recommendations

- i. That the Commonwealth Government commits to extending the National Partnership Agreement of Early Childhood Education with the Victorian State Government on an enduring basis beyond 2017.
- ii. Establish a Commonwealth/State/ Local Government Early Childhood Education and Care planning body to:
 - Plan for current and future publically funded ECEC service provision
 - Foster a targeted, tailored, integrated, innovative and diverse range of ECEC options for families
 - Examine and strategise for future supply and demand needs for service provision
 - Address the areas of market failure of the long day care sector
 - Focus on areas of entrenched disadvantage and foster innovative, community led solutions for provision of ECEC
- iii. Implement Bilateral Agreements with each jurisdiction tailored to the enhancing the service system in each State/jurisdiction



- iv Establish a separate review of the home-based care sector with a view to building on the opportunities it presents to meet participation by women in the workforce and a flexible model of ECEC.
- v Child Care Safety Net – in line with many OECD countries – up to 30 hours per week of free ECEC for all disadvantaged children be supported by the Commonwealth.
- vi Promote the importance of our children participating in ECEC as part of a nation building strategy that will reap dividends in the long run.
- vii Maintain the existing Priority of Access requirements and that they be applied not just to vacancies but particularly where the demand for places exceeds supply.

Background

Local government in Victoria represents approximately 20 per cent of the ECEC system today across both centre-based and home-based careⁱ. The wide range of early childhood education and care services available in Victoria let alone Australia, the mix of public and private providers, the set of market-oriented arrangements where parents make choices about the type, location, cost and at times quality of ECEC makes for an extremely complex system. The increasing need for formally based ECEC and the expected growth in children accessing formal care poses a significant question for all levels of government and that is one of their roles in planning.

Chapter 12 of the *Productivity Commission Draft Report into Child Care and Early Childhood Learning* outlined the case of a supply-side funding model which the MAV considered worthy of further discussion as such a model involves the type of planning the MAV has advocated for in previous submissions. The MAV sees Governments as the holder of information and data, as having the responsibility to their communities to ensure that this information is used in the most strategic and best possible way to plan for and meet their needs. What is missing is there is currently no vehicle to do this in the ECEC sector. This new RIS also misses the opportunity to address this issue with a continued emphasis on a 'demand-side' model – tighter activity tests, exertion of downward pressure on fees due to families making a co-contribution and less assistance to higher incomes families are all heralded as important features of the new package, however there is no examination of the 'supply-side' of the model and the opportunities to address planning and targeted funding for the future.

The MAV continues to assert there remains an opportunity for the three levels of government to engage in strategic planning and funding for the ECEC sector. However this RIS again appears to demonstrate that there is dwindling inclination on the part of the Commonwealth Government to do so.



1. Overview

The Regulation Impact Statement (RIS) seeks to address key problems identified by the Commonwealth and can be summarised as follows:

- Complexity of the current system
- Families unable to find, access or afford ECEC that meets their needs
- Burdensome regulatory arrangements and inflexibility of current system
- Poorly targeted programs that do not meet needs of children, families and services

Whilst the MAV acknowledges that the Jobs for Families Child Care Package (the Package) seeks to address these issues through the proposed Option 3 outlined in the documents, we still have some concerns that the Package and the Commonwealth Government has missed an important opportunity to reshape the future for our children, families and future workforce by taking a simplistic approach of limiting the number of subsidised hours individuals receive which may or may not provide an incentive for individuals to get into work and stay in work as there is no consideration of the 'supply-side' issues including availability of jobs and capacity of people to undertake the available work.

2. Planning and complexity of the current system

There is no doubt the current system is complex both in terms of service delivery and funding. The provision of assistance through a single funding instrument which reduces the current administrative costs to all parties involved makes sense. However the MAV believes that there is a need for more collaborative and transparent oversight of supply and demand of ECEC at the national, state and local levels. Development of specific Bilateral Agreement with each jurisdiction for implementation could address the current diversity in approach across the States and Territories.

3. Flexibility

The RIS focusses on what could be considered a narrow definition of flexibility which is largely confined to the hours a service operates and is available, and is designed to mainly address the issue of workforce participation. Flexibility also includes types of care available, which part of the market provides the ECEC, the design of the program of care and the quality of the care provided.

Ideally services should be able to operate in direct response to the communities they provide services to provided they meet regulatory and legal requirements. The MAV suggests the Commonwealth Government reviews its proposal to include nannies in its suite of eligible subsidised services particularly as they will sit outside the National Quality Framework (NQF). Instead the MAV urges a reconsideration of the home-based care model with a view to giving it the due consideration it is worthy of and the fact that it is a well-regulated and long standing ECEC service type that has supported communities. The home-base care model already



supports the objectives of increasing workforce participation for women, providing flexible, accessible and affordable ECEC and providing services to disadvantaged and regional families.

4. Cost

The MAV supports the concept of a single subsidy based on family income as a way of improving the current system. Payment integrity, program targeting and sustainability have all been long-standing issues of the ECEC service system. However many parts of the ECEC service system are delivered by state and local government and again the RIS makes no reference to this as part of an overall estimate of cost.

In addition there continue to be uncertainties around future Australian Government policy and funding directions. For example the Review of the National Partnership Agreement on Early Childhood Education has only seen funding extended to December 2017. The continued fragmentation of service types by virtue of not being included in the NQF makes it difficult to determine the full cost of providing quality ECEC and this is to be potentially exacerbated by creating a new service type – nannies - that will be government funded but not regulated. The ongoing inability of the mixed-market model to match the supply of childcare with the demand from families also has an impact on cost.

5. Targeting programs to meet needs of vulnerable children and families

The need for targeted and intensive early childhood interventions arguably requires more than the RIS is proposing. There is a serious question of the efficacy and ability of mainstream ECEC even with higher levels of subsidy to address and support the development impacts experienced by children who are vulnerable and at risk. In Australia 160,000 aged 0-5 who are in the lowest income bracket currently do not attend any form of ECEC.ⁱⁱ There is a range of well documented evidence on the return on investment of ensuring vulnerable children participate in ECEC. In its recent report *Putting a value of early childhood education and care in Australia*, PwC has estimated that the public benefit-cost ratio could be \$2.69:1.

The change in funding of the budget-based programs which are largely focused on Aboriginal early childhood services is of particular concern. These services often operate in some of the most disadvantaged communities where mainstream service providers do not operate. These services will suffer a dual blow, first through the loss of generic SRA funding to the competitive Department of Social Services process, and now with the change in funding to the budget based programs. To add to the potential complexity these services and families will now face, families will have to apply for the Safety net and service providers for additional operating support which introduces a level of regulatory burden which these communities will have to contend with.



We all know the evidence of the importance of high quality ECEC yet governments continue to work in isolation, each with their range of programs and interventions aimed at addressing what in some municipalities and suburbs is now intergenerational entrenched disadvantage.

The recent *Dropping off the Edge 2015 Report* found consistent entrenched place-based disadvantage reflected a set of indicators that are recurring features.ⁱⁱⁱ These included long and short unemployment, higher levels of disabilities, lack of formal qualifications, deficient education generally, low family incomes, domestic violence and mental health problems. No amount of fiddling with the activity test, childcare subsidies, hours of service operation or making access to a nanny available is going to support these children and families in the long-term.

The MAV strongly suggests that governments at all three levels – Commonwealth, State and local must adopt a more collegiate approach to developing targeted, tailored, integrated, long-term planning, programs and strategies that can support disadvantaged children and their families starting with better access to high quality education and care from birth to age five and beyond. Continuing place based funding targeted to identified areas of high disadvantage through the local government offers a potential solution.

6. Responses to RIS Implementation Options

6.1 Family Eligibility for the Child Care Subsidy

Parents' ability and reasons for utilising early childhood education and care and participating in the workforce are individual and varied. Currently there is no requirement for families to provide evidence of their recognised work or work related activity in their application for CCB. Family eligibility for the new Child Care Subsidy will be determined by the three-step activity test which aligns hours of subsidised child care with the amount of work, training, study or other recognised activity undertaken. MAV is pleased to see that the list of recognised activities has been expanded to include unpaid work experience and a broader definition for voluntary work. Local government in Victoria strongly suggests that the Commonwealth Government will need to ensure that parents and services fully understand a) what the required evidence to be provided of their work or work related activity to be is and b) what happens if they are unable to provide the required evidence. In addition a significant public education campaign will need to be undertaken to educate parents and services about the new obligations, entitlements and eligibility. This will also contribute to the costs of implementing the proposed changes. Councils have identified concerns for parents in marginal or casual employment who may be further disadvantaged by the new arrangements

6.2 Service Eligibility for the Child Care Subsidy

The proposed trial nanny scheme should be included in the National Quality Framework as the current exclusion will not allow the true cost and benefits of the scheme to be analysed. Given service approval requirements support a number of Government policy objectives including the integrity of the payments made to services on behalf of families, the trial nanny scheme should be no different.



The MAV in principle supports the alignment of the approval process under the Family Assistance Law with that required for the National Quality Framework by introducing an approval process of provider approval and service approval for the purposes of the new child care subsidy. The MAV supports the focus on increased robust assessment of the suitability and approval of providers and services in the first instance including detailed evidence of well-developed governance arrangements, robust financial management and complete policies. The burden of proof and evidence that they are a competent and viable business should be with the applicant who is effectively applying to access taxpayer funds. In addition the option for the Department to reassess providers to determine their continued suitability to administer child care fee assistance payments using a targeted approach is welcomed.

6.3 Service eligibility for the Child Care Subsidy -Priority of Access (POA) requirements

The RIS proposes a preferred option of changing the POA requirements to only two priority categories. The MAV strongly supports no change to the current POA requirements as to do anything else will potentially result in a decrease of access to ECEC for vulnerable and disadvantaged children. Although it is argued that more targeted subsidy system will help facilitate access and thus the POA guidelines need only apply to vacancies, this requires a 'leap of faith' as it is a significant departure from the current and well established approach. This issue feeds back into the issue that the supply side of the market has essentially failed and until the Commonwealth Government undertakes further analysis of the operation and outcomes of the POA **the MAV supports the option of no change and maintain the existing POA requirements and that they be applied not just to vacancies but particularly where the demand for places exceeds supply.**

6.4 Child Care Safety Net – Additional Child Care Subsidy

The MAV supports the principle that additional support to children and families who are experiencing disadvantage is critical to minimise barriers to participation and provide access to early learning. However the MAV advocates that further work on this issue needs to be undertaken in order to fully develop an appropriate and targeted subsidy and response.

A main concern is that access to ECEC of only 24 hours per fortnight for vulnerable children from low income families where both parents do not meet the activity test may not provide enough hours of participation to support their development and learning particularly where they are already experiencing a range of other factors that contribute to their disadvantage.

The MAV suggests that as a minimum and in line with many OECD countries, up to 30 hours per week of free ECEC for all disadvantaged three and four year old children should be considered if we are to make a difference in those children's lives and their trajectory into youth and adulthood. The child's education and care must be the prime consideration when that child is vulnerable and that child should not be disadvantaged because of its parents' circumstances including their inability to participate in the workforce or pay for additional ECEC.

All levels of government have a wealth of information, reports, submissions and data available to them to develop targeted and innovative responses to children who are vulnerable or



disadvantaged. We know where they live, we have information of the profiles of the communities they live in, we know what elements and circumstances combine to increase the likelihood of a child starting out poorly and what their potential trajectory will be in terms of educational outcomes, juvenile justice outcomes and welfare outcomes. As stated a number of times throughout this submission what is lacking is a formal mechanism for all levels of government to work more closely together to target identified areas where entrenched, intergenerational disadvantage has continued for the past 25 years or more and the prospects for children in those suburbs is grim.

The MAV notes that the Department will undertake further consultation with states and territories and stakeholders regarding this area. The MAV would like to be part of these further consultations particularly in view of the issue below that MAV has raised in previous submissions which remains unresolved.

The Additional Child Care Subsidy is proposed to replace the Special Child Care Benefit. However the complexities presented by the range of jurisdictionally based funding along with separate program based funding and differing eligibility requirements for disadvantaged children still need to be addressed. Councils have stated that currently there is confusion and gaps that can result in the most vulnerable children missing out. For example current CCB/CCR for very low income/vulnerable families does not always result in affordable fees. Another example is the current arrangements for Special Child Care Benefit (SCCB). Families that rely on the receipt of the SCCB for their children to attend long day care are presented with an unnecessarily complex system. Evidence from councils in Victoria is that often they are funding the gaps in fees and costs in order to ensure that vulnerable children have a continuity of attendance at long day care. It is difficult to see how the new proposed arrangements of the Child Care Subsidy and the Additional Child Care Subsidy will address this.

6.5 Community Child Care Fund

MAV notes that the Department will continue to consult with key stakeholders to refine the program design for the Community Child Care Fund. In light of our earlier comments regarding meeting the needs of vulnerable children and families, that MAV would welcome the opportunity to have a further discussion on this matter including the issues of defining disadvantage, sustainability support and supply-side limitations as a barrier that impacts on accessibility of ECEC. In addition the MAV expresses concern about this being a competitive process and strongly suggests that it should be a process based on agreed, defined criteria that determines a service's ability to be sustainable to meet the current and future needs of local children and their families. It should also be a process that allows for integration with and enhancement of existing State and Local Government investments and arrangements.

6.6 Transitional arrangements

Ensuring families and services have early and accessible information that informs and increases awareness of the proposed changes and new system will be critical. Local government in Victoria is particularly keen to see that the proposed Transitional Arrangements are well supported and adequately funded. It is likely that for local government the work may need to



include: integration with finance systems and other associated IT costs; staff training; marketing as it is likely the fees will need to increase significantly and other administrative costs.

7. Innovation

Over the past six years the ECEC sector has implemented significant change and yet Australia still lags behind its OECD counterparts with a 2012 OECD report *Education at a Glance* ranking it as 34th out of 38 countries for investment and outcomes for early childhood. More recently since the original Productivity Commission *Inquiry into Childcare and Early Childhood Learning* there has been a substantial body of work and thought put into reimagining an ECEC system that will better meet the needs of children and their families. However it has not gone far enough. The MAV suggests that we have the opportunity to continue the work in the ECEC sector as governments, services, practitioners and families are more engaged than perhaps they have ever been in the goal of providing every child with the best start in life through participation in high quality early childhood education and care which complements the role of parents in the raising of their children. To this end the MAV would like to see the Commonwealth Government be courageous and provide leadership on what could be seen as a nation-building opportunity.

Conclusion

The investment in ECEC offers our nation a great opportunity to save money by spending money. If governments are to increase early years investments and deliver improved outcomes for children and gains in national productivity then it is important that the general public be persuaded of the value of doing so.^{iv} We also need to ensure the spending occurs in the right place at the right time. Investing in a trilateral, collaborative approach across three levels of government in the public planning, delivery and oversight of affordable, accessible quality childcare offers the prospect of actually increasing economic growth through productivity gains from not only increased workforce participation now, but from a nation whose young people are provided with the maximum opportunity to reach their full potential and thus become the workforce of the future.

ⁱ Productivity Commission Report on Government Services 2014

ⁱⁱ Putting a value of Early childhood education and care in Australia PwC 2014



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- ⁱⁱⁱ Dropping off the Edge 2015 : Jesuit Social Services/ Catholic Social Services Australia
^{iv} Acting Early changing lives –The Benevolent Society: 2013