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**OUR
VISION:
EVERY
YOUNG
CHILD IS
THRIVING
AND
LEARNING**

Early childhood education and care: the impact of policy responses to the COVID-19 pandemic

Submission to the Senate Select Committee on COVID-19

Early Childhood Australia

May 2019

About us:

Early Childhood Australia (ECA) is a not-for-profit organisation that has been a voice for children since 1938. We have a federated structure with branches in every state and territory in Australia and our membership includes individual professionals, early childhood services and schools, as well as public, private and not-for-profit organisations that share a commitment to young children.

Our vision is that every young child is thriving and learning. To achieve this, we champion the rights of young children to thrive and learn at home, in the community, within early learning settings and through the early years of school.

Our work builds the capacity of our society and the early childhood sector to realise the potential of every child during the critical early years from birth to the age of eight. ECA specifically acknowledges the rights of Aboriginal and Torres Strait Islander children and their families, and the past and current injustices and realities for them around Australia.

Contact: Samantha Page, CEO
Early Childhood Australia



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1. Overview

Early Childhood Australia (ECA) is pleased to provide this submission to the Senate Select Committee on COVID-19.

Since the COVID-19 pandemic began in Australia, ECA has been monitoring carefully the impact of the virus and of consequent actions and decisions (such as social isolation, employment impacts and government policies) on early childhood education and care services. ECA has used this information and analysis to seek to influence public policymaking, to ensure the ongoing viability of the early childhood education and care sector and the continued availability of high-quality education and care services for young children.

Earlier this month, ECA made a submission to the Department of Education, Skills and Employment (DESE) on the impact of the Early Childhood Education and Care Relief Package on service providers, together with a proposal to transition back to the previous funding system (with some adjustments). ECA commends its submission to DESE (at Attachment A) to the Committee.

In summary, the Australian Government's support measures for early childhood education and care services have been only partly successful in ensuring the sector's viability. The government's review of the Relief Package provides an opportunity to correct the current measures and to plan carefully for the transition back to the Child Care Subsidy system.

2. Recommendations

ECA would like to highlight the following recommendations from its submission to DESE, which require immediate attention from policymakers:

Make responsive adjustments to the Relief Package

Recommendation 1: Guarantee additional funding (via Exceptional Circumstance Supplementary Payments) to all approved providers that are ineligible for JobKeeper, including providers operated by state, territory and local governments.

Recommendation 2: Provide clear guidelines to early education and care providers on how to prioritise enrolments for the remainder of the Relief Package period.

Recommendation 3: Design and implement a transition period, to realign demand, supply and funding before the CCS system recommences.



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Transition carefully to the Child Care Subsidy (CCS) system

Recommendation 4: Make transition payments to service providers, with the size of the transition payment determined by attendance numbers at each service.

Recommendation 5: Maintain the Exceptional Circumstance Supplementary Payment fund for providers who require extra assistance.

Recommendation 6: Maintain fee-free attendance for all children

Recommendation 7: Suspend the activity test until 1 January 2021

Recommendation 8: Increase the number of allowable absences in 2020-21.

Adjust the CCS system for changed circumstances

Recommendation 9: Restructure the CCS to provide 20 hours of early childhood education and care to all children (from the end of paid parental leave to the transition to school) with no out-of-pocket costs to parents.

Recommendation 10: Provide services with the authority to waive the parent component of the fee when children are absent.

Recommendation 11: Abolish the activity test for at least 20 hours of care per week.

ECA would be happy to provide further information to the committee.



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Review of the Early Childhood Education and Care Relief Package

A submission to the Department of Education, Skills and
Employment

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May 2020

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1. Purpose

Early Childhood Australia (ECA) is making this submission to the Department of Education, Skills and Employment (DESE) to inform the one-month review of the Australian Government's Early Childhood Education and Care Relief Package (the Relief Package). ECA wants to ensure adequate support for the early education and care sector during and after the COVID-19 pandemic. This submission addresses the impact of the Relief Package since 6 April 2020 and proposes transition measures to return to the Child Care Subsidy (CCS) system, with necessary modifications.

2. Overview

The COVID-19 pandemic has presented the early education and care sector with an extraordinarily difficult challenge: to continue welcoming the families who need ongoing education and care, while absorbing the financial losses generated by families who cancelled enrolments, and simultaneously ramping up health and hygiene measures to provide a safe environment for educators and children. This has occurred against a backdrop of rapidly changing, and sometimes conflicting, information about policy measures and health advice.

ECA agrees entirely with the goal set by the Australian Minister for Education: 'To make sure that every provider remains viable through the pandemic'.¹

Achieving this goal is a matter of responding swiftly to changed circumstances, but also being considered, consultative and clear. To date, support measures have been only partly successful in ensuring sector viability. This review of the Relief Package provides an opportunity to correct the current measures and to plan carefully for the transition back to the CCS system.

Data sources

This submission relies on data collected by ECA in the period 20 March-3 May 2020, comprising:

- Responses to surveys and questions put to ECA members and other early education and care providers and educators
- Emails, phone calls and other messages from ECA members and other early education and care providers and educators.

The data collected by ECA is both quantitative and qualitative, and spans all provider types (long day care, family day care, outside school hours care and in home care). ECA has previously provided portions of this data to the Minister for Education, DESE and Treasury.

¹ Tehan, D. (2020). [Media transcript](#). 15 April. ABC Radio Darwin Drive.



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3. Impact of the Relief Package

The Relief Package responded to an urgent need for financial support among many early education and care providers (particularly outside school hours care and long day care), in the face of a sudden collapse in attendance and enrolments. This collapse in attendance and enrolments coincided with decisions by some state and territory governments to ask families to keep school-aged children at home towards the end of Term 1.

The impact of the Relief Package has been highly differential, due to the diversity of the early education and care sector. In the early stages of the pandemic, not every service was facing a collapse in enrolments and income, and some service types were minimally affected, such as family day care (FDC) and in home care (IHC), which are highly valued by families for their smaller scale of operation and greater degree of flexibility in hours of operation. Notably, both FDC and IHC are used by parents and carers who work irregular hours, including health and emergency services personnel.

To gauge the impact of the pandemic on attendances and enrolments, ECA surveyed its members in the last week of April. Among the 511 services that responded, almost half (47 per cent) are maintaining **enrolments** of at least 90 per cent of pre-pandemic levels. One in four respondents (25 per cent) currently has enrolments below 50 per cent of pre-pandemic levels. **Attendance** remains high in family day care services, but in 44 per cent of long day care services, attendance has dropped to less than 50 per cent of pre-pandemic levels. Nonetheless, just over one-quarter of long day care services are currently experiencing at least 75 per cent of normal attendance.

Table 1: ECA member survey: attendance (week beginning 27 April 2020) (n=511)

	Much lower than usual (less than 50%)	Somewhat lower than usual (50-74%)	Slightly lower than usual (75-89%)	Around the same (90-100%)	Higher than usual
LDC	189	129	64	46	7
FDC	8	13	16	14	4
OSHC	17	2	1	1	0
Total	214	144	81	61	11

LDC = long day care; FDC = family day care; OSHC = outside schools hours care

Table 2: ECA member survey: enrolments (week beginning 27 April 2020) (n=511)

	Much lower than usual (less than 50%)	Somewhat lower than usual (50-74%)	Slightly lower than usual (75-89%)	Around the same (90-100%)	Higher than usual
LDC	108	85	60	161	21
FDC	7	5	5	27	11
OSHC	14	2	3	2	0
Total	129	92	68	190	32

LDC = long day care; FDC = family day care; OSHC = outside schools hours care



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While the Relief Package is likely to have saved many early education and care services from closure, some services have suffered acute financial harm and distress as a result of the Package, which has reduced their income despite high enrolment rates. The imperfect 'calibration' of the Relief Package and the JobKeeper scheme has also been problematic. While the Relief Package was designed to be used in conjunction with JobKeeper, some services were (and remain) ineligible for JobKeeper or are unable to claim payments for casual staff and staff who are visa-holders.

Despite assurances from the Minister for Education about the availability of 'top-up' payments, some ECA member services that cannot claim for JobKeeper have also been turned away from the Exceptional Circumstance Supplementary Payment scheme. ECA acknowledges that changes to the Relief Package, announced by DESE on 30 April, will address some of these problems.

For services that are eligible for JobKeeper, the significant delay in receiving the first payment (requiring recipients to pay all wages in April without supplementation) has reduced the effectiveness of the scheme.

Notwithstanding efforts by the government and DESE to address some of the unintended consequences of the Relief Package, two related problems require urgent attention:

- income shortages
- disruption of supply and demand.

The sudden fall in income has caused many early education and care services to reduce their operations by cutting opening hours and/or reducing the number of places offered. ECA has been contacted by families who have been told their enrolments are cut or curtailed; and we have heard from services that are struggling to accommodate children, pay educators and cover fixed business costs on significantly reduced income.

Cutting hours and enrolments is a rational response by early education and care services that are grappling with the loss of income under the Relief Package. The combination of reduced income and fee-free attendance for all children has caused a swift, deep change to supply and demand in the sector. Of the 511 services that responded to ECA's member survey this week, 81 per cent had received requests for new enrolments since fees were abolished on 6 April. Decisions about enrolments and occupancy are currently causing great difficulty for services, families and children, with ripple effects out into the broader economy.

To address these problems, ECA recommends the following:

Recommendation 1: Guarantee additional funding (via Exceptional Circumstance Supplementary Payments) to all approved providers that are ineligible for JobKeeper, including providers operated by state, territory and local governments.



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Recommendation 2: Provide clear guidelines to early education and care providers on how to prioritise enrolments for the remainder of the Relief Package period.

Recommendation 3: Design and implement a transition period, to realign demand, supply and funding before the CCS system recommences.

4. The transition period

The Relief Package is due to conclude in on 28 June 2020, with the possibility of a three-month extension. ECA proposes that the three-month extension take the form of a transition period (running 29 June-27 September 2020), to prepare services, educators and families for the resumption of the CCS system. (This proposal also takes into account the planned cessation of the JobKeeper scheme on 24 September 2020.)

Table 3: Proposed transition timeline: From the Relief Package to the CCS

Date	Element
29 June 2020	Transition period begins
27 September 2020	Transition period ends
28 September 2020	Resumption of CCS system (with enhancements)
October-December 2020	Review operation of CCS system on a monthly basis

The purpose of the transition period is to:

- link growth in funding of early education and care services to attendance
- enable services to cater for increased occupancy
- ensure access to all families who require early education and care services
- reduce the burden on families experiencing financial distress or vulnerability.

During the transition period, the Relief Package should continue to provide all early education and care services with a basic business continuity payment, but this payment must be supplemented if services are to meet the growing demand from families returning to work. Current Relief Package business continuity payments should therefore be increased for services with attendances above 50 per cent of pre-pandemic levels, with the quantum determined by attendance levels at each service (see Table 4).

The transition payment would enable services to reverse cuts in their hours of operation or limits on attendance and enrolments, by providing greater amounts of funding to match higher attendance.

With the transition payments in place, most services could cease making applications for Exceptional Circumstance Supplementary Payments – although the scheme should be retained for services that still require extra assistance.



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ECA has suggested payment levels for the transition period (see Table 4), but emphasises that these are a starting point for discussion only. Given the tight timeframe for preparing this submission, ECA has not been able to consult with its members on appropriate payment levels, and would therefore welcome the opportunity to work with DESE to model particular scenarios.

Table 4: Transition period payment proposal

	Current* attendance as a percentage of Reference Period^ attendance				
	50% or less	51-65%	66-80%	81-100%	More than 100%
Relief Package payment	50% Reference Period + JKP	75% Reference Period + JKP	100% Reference Period + JKP	120% Reference Period + JKP	120% Reference Period + JKP + Exceptional Circumstances

*Measured weekly.

^The Reference Period is the fortnight starting 17 February 2020.

JKP = JobKeeper payment

Some families will have a reduced capacity to pay for education and care over the next several months at least. It is therefore reasonable for the government to continue to make early education and care fee-free for the transition period, with fees being reinstated as part of the CCS system from 28 September 2020.

However, the operation of the activity test – which can be challenging for both parents and administrators at the best of times – should be suspended until at least 1 January 2021. Given the high degree of uncertainty surrounding the economy and public health restrictions, many parents and carers across a wide range of industries will find it difficult to accurately estimate their hours of work and their income for the foreseeable future.

In a similar vein, provisions that increase the number of allowable absences in 2019-20 should also be applied in 2020-21, to account for the uncertainty surround the course of the pandemic.

ECA recommends the following for the transition period:

Recommendation 4: Make transition payments to service providers, with the size of the transition payment determined by attendance numbers at each service.

Recommendation 5: Maintain the Exceptional Circumstance Supplementary Payment fund for providers who require extra assistance.

Recommendation 6: Maintain fee-free attendance for all children

Recommendation 7: Suspend the activity test until 1 January 2021



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Recommendation 8: Increase the number of allowable absences in 2020-21.

ECA notes that this transition proposal assumes the following:

- Advice from the AHPPC that it remains safe for early education and care services to operate
- A sufficient number of educators to meet demand and ratios (given the requirement for vulnerable workers to be in offline positions)
- Adequate supplies of hygiene and cleaning products and other supplies to maintain safe, healthy environments.

The future course of the pandemic

Over the next several months, we should aim to balance the inherent uncertainties of the pandemic with the need for policy and funding certainty for early education and care services.

As part of ongoing planning for the pandemic, the government should answer the question, 'What would trigger another suspension of the CCS system?' It is critically important for early education and care services to understand how their operations will be affected if Australia faces a second wave of COVID-19 infections.

5. Beyond COVID-19

The government should also use the transition period to reassess elements of the CCS system, to determine whether it will be fit for purpose as Australia emerges from the pandemic.

The design of the CCS has limited the options for how service providers and DESE have been able to respond to the COVID-19 pandemic. There are a number of changes to the CCS system that would improve responsiveness in the future and enhance the capacity of the early childhood education and care system to better meet the needs of families.

In the early stages of the COVID-19 pandemic, service providers were keen to waive the parent component of the fee when children were not attending, or when families were unable to pay for other reasons, but the legislation does not allow for this. Going forward, it would improve the sector's capacity to be responsive to changing family circumstances if there were more flexibility to waive out of pocket costs (when appropriate) and/or provide a minimum level of care at no cost to families.

The complexity of the CCS has been a problem for services providing early education to vulnerable population groups, including Aboriginal and Torres Strait Islander children and children with additional needs or those known to child protection agencies. Rather than an individual approach to assessing eligibility for Additional Child Care Subsidy, the transition from the Relief Package back to



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CCS provides an opportunity to reconsider the potential benefit of community-based responses that might be funded on a population basis, rather than an individual basis.

The rationale for the activity test was that, in a market of undersupply in early education and care places, priority needed to be given to working families with both parents engaged in regular employment. However, there is no longer undersupply in the sector, and even before COVID-19 there was a concern that long day care services were reaching oversupply.

There is now a growing number of families are in precarious and uncertain work; these families need stable access to early childhood education and care, just as much as those with more predictable working hours. As a baseline for 2021 and beyond, 20 hours per week of subsidised education and care would give children two days per week of regular early education, and provide stability for families, regardless of the difficulties they are experiencing.

ECA recommends changes to the Child Care Subsidy:

Recommendation 9: Restructure the CCS to provide 20 hours of early childhood education and care to all children (from the end of paid parental leave to the transition to school) with no out-of-pocket costs to parents.

Recommendation 10: Provide services with the authority to waive the parent component of the fee when children are absent.

Recommendation 10: Consider the potential benefit of community-based responses funded on a population basis, rather than an individual funding model for vulnerable groups.

Recommendation 11: Abolish the activity test for at least 20 hours of care per week.

6. Conclusion

Drawing on its diverse membership, ECA is ready to work with DESE to design new policy measures that will enable every early childhood education and care service to remain viable and meet the needs of all children, parents and carers as Australian emerges from the pandemic.