

CHAPTER ONE

Terms of Reference

1.1 On 12 December 2013, the Senate referred the following matter to the Senate Education and Employment References Committee for inquiry and report by 17 June 2014:¹

- (a) cost and availability for parents over the short term, including the effectiveness of the current government rebates;
- (b) administrative burden, including the impact of the introduction of the National Quality Framework;
- (c) the current regulatory environment and the impact on children, educators and service operators;
- (d) how the childcare sector can be strengthened in the short term to boost Australia's productivity and workplace participation for parents; and
- (e) any related matters.

1.2 The order of the Senate was amended on 17 June 2014 to extend the reporting date until 15 July 2014.²

Background

1.3 Access to affordable, quality early childhood education and care (ECEC) is important to individual children, their families and the broader community. It not only helps children develop—*influencing later outcomes at school and in life—but also dictates the level of families' engagement with employment and study and ultimately has a considerable impact on national productivity.*³

1.4 Australian families have access to a range of public and private, for and not-for-profit, home-based and centre-based ECEC services. The ECEC system is based on market oriented arrangements which allow parents to choose the type of service they use based on personal considerations and preferences, including affordability.⁴

1 *Journals of the Senate*, 12 December 2013, pp 364–365.

2 *Journals of the Senate*, 17 June 2014, p. 890.

3 Department of Education, *Submission 19*, p. 1.

4 Department of Education, *Submission 19*, p. 1.

1.5 Most Australian families are involved with the sector in one way or another, as the majority of Australian children participate 'in some form of child care or early learning before entering school, or afterwards through outside school hours care.'⁵

1.6 The ECEC sector is also an industry in its own right, generating estimated revenues of over \$10 billion annually and employing some 140 000 individuals.⁶

Child care payments

1.7 Under current legislative arrangements, the Child Care Benefit (CCB) is paid to persons using 'approved' or 'registered' services, who are required to meet the standards set out in family assistance law, specifically the *A New Tax System (Family Assistance) (Administration) Act 1999* (Cth).⁷

1.8 Parents and carers can claim CCB for between 24 and 50 hours per child per week, either as a fee reduction paid directly to the provider or at the end of the financial year through the tax system. The CCB is means tested, and is payable as follows:

*Figure 1- Child Care Benefit - Amounts payable*⁸

Number of children in your care	Income limits before your payment reduces to \$0
1	\$145,642
2	\$150,914
3 or more	\$170,404 plus \$32,219 for each child after the third

1.9 Further, families can also access the Child Care Rebate (CCR), currently \$7500, to assist with additional child care costs. The CCR is not means tested.

1.10 The Department of Education (the department) advised the committee that limited CCB subsidies are also available for registered (as opposed to approved) care providers. Registered care providers are individuals who are registered with the

5 Department of Education, *Submission 19*, p. 1. According to the department's submission, the most recent data indicates that an estimated 1.2 million children attended some form of child care or education service in the June 2013 quarter.

6 Department of Education, *Submission 19*, p. 1.

7 Department of Parliamentary Services, *Bills Digest No.92, 2013–14, Family Assistance Legislation Amendment (Child Care Measures) Bill 2014*, p. 2.

8 Department of Human Services, *Child Care Benefit*, <http://www.humanservices.gov.au/customer/services/centrelink/child-care-benefit> (accessed 23 June 2014).

Department of Human Services (DHS). Families opting to use registered care receive a lower rate of CCB than families using approved care, 'as approved care providers are required to comply with Family Assistance Law quality standards and other legislative requirements.'⁹ To receive the CCB, families must use approved services that meet the requirements of one of the following categories:

Long Day Care (LDC) – a centre-based form of care. LDC services provide all-day or part-time education and care for children.

Family Day Care (FDC) – administers and supports networks of FDC educators who provide flexible care and developmental activities in their own homes, or in approved venues, for other people's children.

Outside School Hours Care (OSHC) – provides education and care before and/or after school and/or care during school vacation time. Services may also open on pupil-free days during the school term.

Occasional Care (OCC) – a centre-based form of care. Families can access OCC regularly or irregularly on a sessional basis.

In Home Care (IHC) – a flexible form of care where an approved educator provides care in the child's home. The Australian Government limits the number of approved IHC places available in the market and new IHC services can only become CCB approved if places are available for allocation.¹⁰

Productivity Commission inquiry

1.11 On 22 November 2013, the Treasurer, the Honourable Joe Hockey MP, directed the Productivity Commission to undertake an inquiry into future options for child care and early childhood learning, with a specific focus on developing a system which would address children's learning and development needs whilst supporting workforce participation. The terms of reference for the inquiry are:

1. The contribution that access to affordable, high quality child care can make to:
 - (a) increased participation in the workforce, particularly for women
 - (b) optimising children's learning and development.
2. The current and future need for child care in Australia, including consideration of the following:
 - (a) hours parents work or study, or wish to work or study
 - (b) the particular needs of rural, regional and remote parents, as well as shift workers
 - (c) accessibility of affordable care

9 Department of Education, *Submission 19*, p. 2.

10 Department of Education, *Submission 19*, pp 2–3.

- (d) types of child care available including but not limited to: long day care, family day care, in home care including nannies and au pairs, mobile care, occasional care, and outside school hours care
 - (e) the role and potential for employer provided child care
 - (f) usual hours of operation of each type of care
 - (g) the out of pocket cost of child care to families
 - (h) rebates and subsidies available for each type of care
 - (i) the capacity of the existing child care system to ensure children are transitioning from child care to school with a satisfactory level of school preparedness
 - (j) opportunities to improve connections and transitions across early childhood services (including between child care and preschool/kindergarten services)
 - (k) the needs of vulnerable or at risk children
 - (l) interactions with relevant Australian Government policies and programmes.
3. Whether there are any specific models of care that should be considered for trial or implementation in Australia, with consideration given to international models, such as the home based care model in New Zealand and models that specifically target vulnerable or at risk children and their families.
 4. Options for enhancing the choices available to Australian families as to how they receive child care support, so that this can occur in the manner most suitable to their individual family circumstances. Mechanisms to be considered include subsidies, rebates and tax deductions, to improve the accessibility, flexibility and affordability of child care for families facing diverse individual circumstances.
 5. The benefits and other impacts of regulatory changes in child care over the past decade, including the implementation of the National Quality Framework (NQF) in States and Territories, with specific consideration given to compliance costs, taking into account the Government's planned work with States and Territories to streamline the NQF.¹¹

Simultaneous inquiries

1.12 Many submitters relied in whole or in part on their submissions to the Productivity Commission when contributing to the committee's inquiry. Some organisations were unable to specifically tailor their submissions to the committee's terms of reference, and instead provided the committee with copies of their submissions to the Productivity Commission.

11 Productivity Commission, *Childcare and Early Childhood Learning*, available at <http://pc.gov.au/projects/inquiry/childcare/terms-of-reference> (accessed 23 June 2014).

1.13 It should also be noted that the committee is conducting two inquiries into aspects of Australia's child care system simultaneously.¹² Given the potential for overlap and the relevance of each inquiry to the other, the committee decided against holding separate hearings for both, opting instead for a more streamlined approach.

1.1 The committee has divided the evidence received into two reports, one focusing primarily on the National Quality Framework (NQF), and another on economic issues. Ideally the reports should be read together, and this report focuses on the economic issues facing families and communities accessing ECEC services.

Acknowledgement

1.14 The committee thanks those individuals and organisations who contributed to the inquiry by preparing written submissions and giving evidence at the hearings.

Notes on references

1.15 References in this report to the Hansard for the public hearings are to the Proof Hansard. Please note that page numbers may vary between the proof and the official transcripts.

12 *Journals of the Senate*, 12 December 2013, pp 363–365.