

CHAPTER TWO

2014–15 Budget and Universal Access

Introduction

2.1 The committee received extensive evidence from submitters and witnesses about challenges to affordability and access to childcare. The committee acknowledges the overwhelming support for the National Quality Framework (NQF), outlined in chapter two of the Education and Employment References Committee's inquiry into the delivery of quality and affordable early childhood education and care services.¹

2.2 The committee's support for the NQF is detailed in that report, which backs the centrality of the NQF in raising education and care standards for families and communities accessing early childhood education and care (ECEC) services.

2.3 In this chapter the committee addresses the costs of childcare, the effectiveness of government rebates and the availability of child care. Further, this chapter also discusses the future of the National Partnership's Universal Access agreement that guaranteed four year old children access to kindergarten.

The costs of child care

2.4 The cost of child care varies across the country. Generally where vacancies are few and waiting lists long, childcare costs will be higher, and where there are clusters of centres and vacancies, costs tend to be lower. Childcare centres compete on costs, so where there are vacancies, centres will have very similar fees. The cost of childcare in the CBD and inner city suburbs of Sydney and other large capital cities tends to be high, with the Sydney market reporting daily fees in some areas of up to \$200 per day.² For many families the ability to afford quality child care hinges on financial assistance from the Commonwealth Government. There are two primary forms of assistance available to families:³

- Child Care Rebate (CCR), which is available regardless of family income and is focused on supporting workforce participation, with the rate set relative to out of pocket costs; and
- Child Care Benefit (CCB), which is targeted towards lower income earners, through means testing, and has a range of rates depending on family income and circumstances.⁴

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

2 Ms Neshia O'Neil, President, Child Care New South Wales, *Proof Committee Hansard*, 23 May 2014, p. 5.

3 For information on other subsidies and assistance see Department of Education, *Submission 19*, Appendix 1.

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

2.5 Although child care fees vary between states, as well as between metropolitan, regional and remote areas, costs have risen steadily across Australia in recent years.⁵ The Department of Education (the department), has stated outside of these hearings that child care is a market and the department does not intervene in the market.⁶ Although childcare fees have risen, the wages of educators are low and are of concern to the sector, as turnover of staff due to low wages is an issue for parents and caregivers.

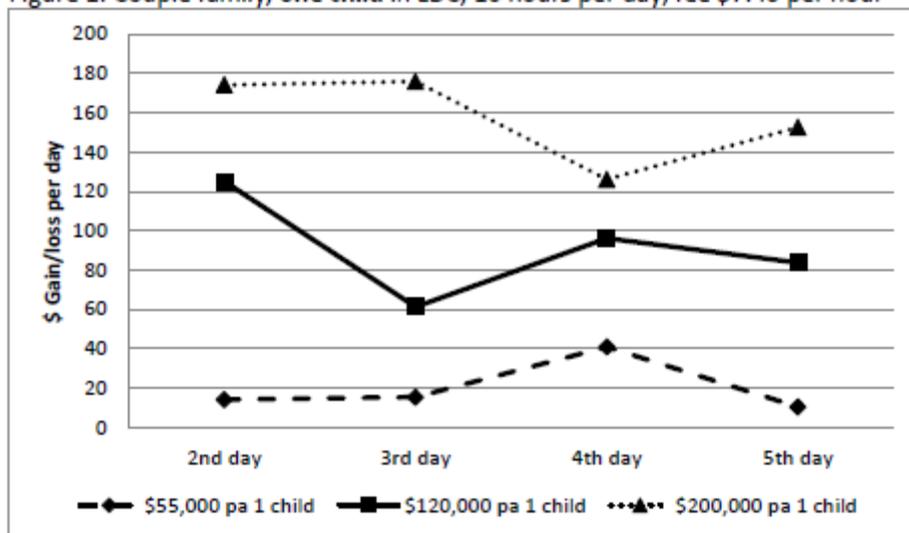
The effectiveness of government rebates

2.6 Throughout both inquiries, the committee has observed that the fee cost and government subsidy system is generally not simple to navigate. This is most aptly demonstrated by the department's submission:

The interaction between child care fee assistance, other family subsidies, taxable income and income support payments is complex, varying between different household circumstances. The gains or losses from working an additional day can affect families' disposable incomes differently, depending on their income levels, the number of children in approved early learning and care services and the fees charged.⁷

2.7 The committee received two diagrams from the department illustrating how different family circumstances affect the financial impact of secondary earners working an extra day. The first figure⁸ depicts a two-parent family with one child:

Figure 1: Couple family, one child in LDC, 10 hours per day, fee \$7.40 per hour



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

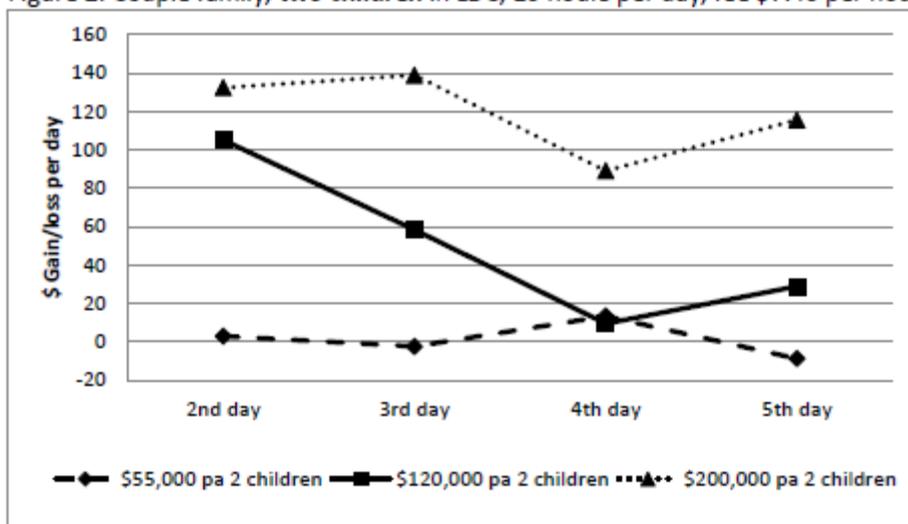
6 Ms Jackie Wilson, Deputy Secretary, Early Childhood Education and Care, *Proof Committee Hansard*, Budget 2014-15, 4 June 2014, p. 24.

7 Department of Education, *Submission 19*, p. 5.

8 Department of Education, *Submission 19*, p. 5.

2.1 The second⁹ figure shows the impact on a two-parent family with two children:

Figure 2: Couple family, two children in LDC, 10 hours per day, fee \$7.40 per hour



2.8 These diagrams demonstrate that, to a family earning \$55 000 per year, the dollar loss by adding a fifth day is highest, with a negligible economic effect on couples earning \$120 000 or \$200 000 per year. This clearly demonstrates that lower income families are, due to the subsidy structures, significantly worse off.

Availability of child care

2.9 The committee heard from witnesses who indicated that the availability of good quality child care varied, although it also heard that the child care market has responded well to increasing demand for places for children in approved care.¹⁰ However, access to care remains difficult in some areas and the factors impeding access differ:

...access to capital (particularly for not for profit organisations), regulatory burdens arising through development and building approval processes, constrains due to zoning restrictions, and lack of available land. These barriers to entry mean that the supply of child care is likely to take a period of time to respond to increases, or decreases in demand (particularly leading to an over or under supply).¹¹

2.10 The availability of physical premises can cause difficulties in inner-city areas where providers face prohibitive land costs and limited land availability. On the other hand in regional areas, the supply of child care is mostly constrained by the availability of educators.¹²

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

10 Davidoff, I., 2007, *Evidence on the child care market*, Economic Roundup Summer 2007, Department of Treasury, Canberra, cited by: Department of Education, *Submission 19*, p. 7.

11 Department of Education, *Submission 19*, p. 7.

12 Department of Education, *Submission 19*, p. 7.

2.11 The committee notes the complexity of addressing these issues, and that they require further consideration. The committee also notes the primacy of states and territories with respect to land use planning arrangements in their jurisdictions.

2.12 Another issue raised is that of parents increasingly looking for flexible child care arrangements outside the traditional 'nine to five' working hours. In such cases, care may be available, but not in the form (i.e. long day care, occasional care) or at the times required.¹³

2.13 Early Learning Association of Australia (ELAA) noted the market driven approach had not successfully increased the supply of childcare places for families and that this can limit workforce participation.¹⁴ ELAA cited the National Centre for Social and Economic Modelling (NATSEM) report, which indicates that a lack of affordable, quality child care does prevent parents, in particular women, from working.¹⁵

2.14 The Australian Childcare Alliance (ACA) submitted that the Grattan report reinforced the economic imperative for improving access to affordable ECEC services, arguing:

Removing disincentives for women to enter the paid workforce would increase the size of the Australian Economy by about \$25 billion per year. The most important policy change is to alter access to Family Tax Benefit, and [C]hild Care Benefit and Rebate so that the second income in a family – usually, but not always, a mother – takes home more income after tax, welfare and child care costs.¹⁶

Accessibility for vulnerable and disadvantaged families

2.15 The committee considered evidence relating specifically to vulnerable and disadvantaged families' access to affordable child care.

2.16 ACA estimates that almost one quarter of Australian children may be considered vulnerable:

There are vulnerable children in all communities with 23.5 per cent of Australian children developmentally vulnerable in one or more of the five Australian Early Development Index (AEDI) domains (physical health and wellbeing, social competence, emotional maturity, language and cognitive skills, and communication skills and general knowledge).¹⁷

13 Department of Education, *Submission 19*, p. 7.

14 ELAA, *Submission 1*, p. 7.

15 Breunig et al, 2011 as cited in ELAA, *Submission 1*, p. 7.

16 Grattan Report, as cited in ACA, *Submission 13*, p. 9.

17 Australian Childcare Alliance, *Submission 13*, p. 13.

2.17 Vulnerability can manifest permanently or for a limited time, and the committee received evidence indicating that it must be addressed so as not to turn into disadvantage, which is 'considerably more difficult to resolve'.¹⁸

2.18 ECEC services are a valuable resource in addressing vulnerability and disadvantage, but affected families do not always have adequate access and are not only from the lower socioeconomic strata:

[T]he gap is widening between the most vulnerable families and other children. But what we do know from AEDI is that if we look at the proportion of, say, low-socioeconomic families then yes, their level of vulnerability is higher, but there are kids, if you want to talk about it in absolute numbers, in the higher socioeconomic groups that are still developmentally vulnerable. So we certainly talk about a platform of proportionate universalism—that we still have universal access but with increased access for vulnerable kids.¹⁹

2.19 Although low family income is by no means the only predictor of vulnerability and disadvantage, children from low income families are proportionately at higher risk but benefit greatly from quality ECEC services. Affordability, however, remains a leading barrier for lower income families, for whom childcare costs can be prohibitively high.²⁰

Extra assistance for vulnerable families

2.20 The government provides extra financial assistance in the form of the Special Child Care Benefit (SCCB), available in situations where children are at risk of serious abuse or neglect, or when families are experiencing temporary financial hardship.²¹

2.21 It is, however, debatable whether such assistance is adequate. ACA considered the 13 week period for which assistance is available to be insufficient and suggested that it be extended.²² Noting that the gap between the most vulnerable children and others is widening in Australia, the committee sought evidence on how other, comparable countries approach child care access.

Overseas initiatives

2.22 Submitters such as the Australian Research Alliance for Children and Youth (ARACY) pointed to strengths in overseas child care systems, with notable examples being those in Canada and across Scandinavia.

18 Australian Childcare Alliance, *Submission 13*, p. 13.

19 Ms Amarylise Bessey, Senior Research Manager, Australian Research Alliance for Children and Youth, *Proof Committee Hansard*, 22 May 2014, p. 15.

20 Australian Childcare Alliance, *Submission 13*, p. 13.

21 Department of Education, *A Guide to Special Child Care Benefit*, http://docs.education.gov.au/system/files/doc/other/a_guide_to_special_child_care_benefit.pdf (accessed 24 June 2014).

22 Australian Childcare Alliance, *Submission 13*, p. 13.

2.23 The committee noted those systems are underpinned by a philosophy of universal access. In both Sweden and Norway, for example, all children are entitled to an ECEC place when they turn one and until they start school. Canada similarly prioritises access to early learning for all children.²³

2.24 The committee understands that similar entitlements exist across Organisation for Economic Co-operation and Development (OECD) countries, half of which have legislated for a child's legal right to obtain a preschool education.²⁴

Cost implications

2.25 The committee understands that access to ECEC services in the countries cited above is often increased through large government subsidies, designed to ensure that all children are captured by the system.

2.26 Fees payable by parents vary greatly. In Sweden individual families with children in the system make contributions of between one and three per cent of household income, depending on the number of children in care. In Norway, parents pay 22 to 30 per cent of the total cost of service delivery, while in Canada all parents pay a fixed low rate of \$7 per day. Canadian parents who are not in the workforce have access to 23.5 hours of free child care per week.²⁵

Committee view

2.27 The committee recognises the importance of access to quality child care, and the particular barriers lower income families face. The committee considered information on overseas models with interest, and believes this information is a valuable resource for Australian policymakers to consider. The committee believes that particular attention should be paid to ensuring that families where children are vulnerable have access to quality ECEC services in the first instance and where those children are enrolled they do not drop out of the ECEC system due to rising fee costs.

Productivity and workforce participation

2.28 Evidence indicates that Australian women spend markedly more time providing unpaid care for their children than men. The resulting difference in the workforce participation rate between men and women is 12.8 per cent.²⁶ This is a concern for the committee because it indicates that Australian women are still lagging behind men in workforce participation, and are thus being denied the same advantages of salary, career, and professional development. It appears incongruous to the committee that women should be encouraged to participate in the workforce, but not be provided with the support required to achieve a greater level of participation.

23 ARACY, *answers to questions on notice*, 22 May 2014, (received 4 June 2014) p. 2.

24 ARACY, *answers to questions on notice*, 22 May 2014, (received 4 June 2014) p. 2.

25 ARACY, *answers to questions on notice*, 22 May 2014, (received 4 June 2014) pp 2–4.

26 Department of Education, *Submission 19*, p. 12.

2.29 It is estimated that reducing the difference of 12.8 per cent by 75 per cent 'could increase Australia's projected average annual growth in Gross Domestic Product (GDP) per capita from 2 per cent to 2.4 per cent.'²⁷ The economy could grow by \$25 billion per annum if six per cent more women entered paid employment.²⁸

2.30 The committee was informed that the barriers to increasing women's workforce participation are complex, but that while that may be the case, the availability of affordable child care is certainly a factor and it undoubtedly disproportionately affects women.²⁹ The Australian Industry Group estimates that:

...as of 2011, the families of at least 300,000 Australian children were not able to participate in work or work-related study to the full extent that they desired due to lack of access to adequate and suitable childcare.³⁰

2.31 Australian Community Children's Services (ACCS) submitted it was in agreement with business groups including the Business Council of Australia and numerous economists in relation to the benefits of affordable ECEC services and workforce participation.³¹

2.32 The ACA noted the subsidies families use to access ECEC have been eroded over the past decade by consecutive governments:

This erosion has occurred through bracket creep and the freeze on the childcare rebate, together with the CPI increases on childcare benefit failing to keep pace with the ever-increasing costs of the provision of care. From budget 2014, families using ECEC will again bear erosion of subsidies.³²

2.33 The committee notes the significant economic and social advantages of providing high quality and affordable child care. The committee further notes that the market based approach to ECEC services in Australia means it is difficult or impossible for governments to intervene to control the market. If the free ECEC market continues, any government initiated rebate/reimbursement system is also going to trail fee rises. In addition, the committee notes the significant challenges to the sector through to the freezing of CCB thresholds and the freeze on CCR, and addresses these below. The committee expresses its very strong concern about these changes and notes that whilst the government has now imposed limits on CCB and CCR, it has done nothing to limit fee increases. Through these budget moves, the government has certainly increased affordability pressures on families, particularly low income families.

27 Department of Education, *Submission 19*, p. 12.

28 Department of Education, *Submission 19*, p. 12.

29 Department of Education, *Submission 19*, pp 12–13. See also Australian Industry Group, *Submission 17*, p. 3.

30 Australian Industry Group, *Submission 17*, pp 3–4.

31 Dr Anne Kennedy, National Secretary, Australian Community Children's Services, *Proof Committee Hansard*, 21 May 2014, p. 6.

32 Ms Gwynn Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, 21 May 2014, p. 32.

2014–15 Budget and consequences for affordability

Changes to the Child Care Benefit and Child Care Rebate

2.34 Numerous changes were announced to child care payments as part of the 2014–15 Budget. These changes include maintaining the CCR limit freeze for a further three income years from 1 July 2014 and introducing a new freeze to the CCB income thresholds for three income years from 1 July 2014. Submitters agree that low income families are likely to reduce their use of ECEC services because they simply cannot afford the increase in fees given the changed application of the CCB.³³

2.35 Numerous submitters, such as the ELAA and ACA, argued that the continuation of the CCR freeze and the introduction of a freeze for three years on the CCB would have a negative effect on affordability of quality ECEC services.³⁴

2.36 ELAA argued that assistance provided to parents under the CCB and CCR is ultimately designed to facilitate parents' participation in the workforce and support children's social and intellectual development, and that these benefits are particularly valuable for children from economically or socially disadvantaged backgrounds.³⁵

2.37 The department detailed the effect of maintaining the freeze on the CCR on a significant numbers of families over the forward estimates, noting that an estimated 74 000 families will reach the \$7500 cap in 2014–15.³⁶ Further, an additional 93 000 and 114 000 families will reach (and exceed) the cap in 2015–16 and 2016–16 respectively.³⁷

33 Family Assistance Legislation Amendment (Child Care Measures) Bill 2014, *Explanatory Memorandum*, p. 2.

34 ELAA, *Submission 1*, p. 16; ACA, *Submission 13*, p. 9.

35 ELAA, *Submission 1*, p. 16.

36 Ms Jackie Wilson, Deputy Secretary, Early Childhood Education and Care, Department of Education, *Proof Committee Hansard*, 22 May 2014, p. 7.

37 Ms Jackie Wilson, Deputy Secretary, Early Childhood Education and Care, Department of Education, *Proof Committee Hansard*, 22 May 2014, p. 7.

2.38 The department also provided the following table³⁸ detailing the numbers of families accessing the CCB and CCR in Australia in the September quarter of 2013:

Table 1: The number of families receiving Child Care Benefit (CCB) and Child Care Rebate (CCR), September quarter 2013

Family Income (\$)	Number of families receiving CCB	Number of families receiving CCR
0 to 50,000	207,530	197,100
Greater than 50,000 to 100,000	179,660	180,030
Greater than 100,000 to 150,000	130,240	196,250
Greater than 150,000 to 200,000	10,420	81,280
Greater than 200,000	1,190	38,710
Not known	6,400	13,480
Total	535,440	706,850

Source: Department of Education administrative data

Note 1: Data based on families estimated incomes provided to Department of Human Services.

Note 2: In the September quarter 2013, there were 773,070 families that used CCB approved child care services. Figures do not sum to 773,070 as families' receipt of CCB/CCR depends on their individual circumstances.

2.39 The ACA criticised the changes to the CCB and CCR, noting that \$230 million would be taken from parents over the full four year period.³⁹

Jobs and Education Training Child Care Fee Assistance (JETCCFA)

2.40 Under current legislative arrangements, parents and carers who are undertaking job search, work, study, training or undertaking rehabilitation to enter or re-enter the workforce may be eligible for access to the Jobs and Education Training Child Care Fee Assistance (JETCCFA). It was revealed at Budget Estimates that 32 000 individuals accessed JETCCFA in 2012–13.⁴⁰

2.41 The Department of Human Services' website states:

JET Child Care Fee Assistance can help meet the cost of child care while you are doing your approved activity by paying some of the 'gap fee'. The 'gap fee' is the difference between the amounts you are charged and the amount you get for Child Care Benefit. You will need to make a small parental co-contribution of \$1.00 per hour per child to your service. If you are participating in the Helping Young Parents or Supporting Jobless

38 Department of Education, *answers to questions on notice*, 22 May 2014, (received 12 June 2014), p. 5.

39 Ms Gwynn Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, 21 May 2014, p. 33.

40 Education and Employment Legislation Committee, 2014-15 Budget Estimates, *Proof Committee Hansard*, 4 June 2014, p. 20.

Families initiatives or are a teenage parent attending secondary education you will pay a parental co-contribution of \$0.10 per child per hour of care.⁴¹

2.42 The committee received evidence relating to changes, as part of the 2014–15 Budget announced to JETCCFA. The proposed changes would lower the quantum of hours available for parents undertaking training as part of an Employment Pathway Plan.⁴² Changes to the JETCCFA scheme would also reduce the weekly limit for child care fee assistance from 50 hours to 36 hours.⁴³

2.43 Goodstart Early Learning conveyed their concerns with the changes to JETCCFA scheme, noting they had several thousand parents accessing JETCCFA who used their services, arguing the lower limit would effectively result in single mothers not being able to continue full time tertiary education.⁴⁴

2.44 Mr John Cherry, Advocacy Manager at Goodstart Early Learning, noted:

..it would have an impact on those women who were studying full time, and we are concerned about that because it is reducing another option for them. For us, the important part about childcare provision should be providing people with as many options as possible. Every cap and restriction removes an option for more people and reduces flexibility for what they can do with their time.⁴⁵

2.45 Early Childhood Australia also detailed their concerns with the proposed JETCCFA limits, noting that because most long day care centres charge on a sessional basis, a centre operating 12 hours a day would use 36 hours over three full days, which would not necessarily match the time required for full time study.⁴⁶

41 Department of Human Services, *JET Child Care Fee Assistance*, <http://www.humanservices.gov.au/customer/enablers/centrelink/jobs-education-and-training-child-care-fee-assistance/fee-assistance> (accessed 24 June 2014).

42 Department of Human Services, *JET Child Care Fee Assistance*, <http://www.humanservices.gov.au/customer/services/centrelink/jobs-education-and-training-child-care-fee-assistance> (accessed 20 June 2014).

43 Ms Jackie Wilson, Deputy Secretary, Early Childhood Education and Care, Department of Education, *Proof Committee Hansard*, 22 May 2014, p. 4.

44 Mr John Cherry, Advocacy Manager, Goodstart Early Learning, *Proof Committee Hansard*, 22 May 2014, p. 34.

45 Mr John Cherry, Advocacy Manager, Goodstart Early Learning, *Proof Committee Hansard*, 22 May 2014, p. 37.

46 Ms Samantha Page, Chief Executive Officer, Early Childhood Australia, *Proof Committee Hansard*, 22 May 2014, p. 53.

Community Support Program

2.46 The committee heard evidence relating to changes announced by the Assistant Minister for Education, the Honourable Sussan Ley MP, cutting funding available to Family Day Care services, affecting 24 000 educators and 750 approved services. The announcement by the government will result in a loss of more than \$157 million to those services after 1 July 2015.⁴⁷

2.47 Family Day Care Australia (FDCA) noted that while it was originally announced as only effecting new services, it was later expanded to all existing and new services, to take effect from 1 July 2015. FDCA noted:

These changes will see family day care lose more than \$157 million in funding. Services will be left with little or no choice but to pass on this loss of revenue to families in the form of increased fees or, worse, even close their doors. It is quite a savage thing for us.⁴⁸

2.48 FDCA argued the cuts to the Community Support Program (CSP) would be 'catastrophic'⁴⁹, with many services receiving up to 50 per cent of their operational funding from the CSP. FDCA argued the loss of funding will mean that services are forced to pass significant cost increases (through higher fees) onto families. This could result in lower quality overall, as some services would not increase costs in order to maintain a competitive advantage:

One of the concerns that I have is that you could see a service where the quality outcomes are a focus and they will increase their fee, and a neighbouring service may choose not to increase their fee but reduce the quality that they deliver, and educators and families will move to a service that does not increase fees, so the quality outcomes that happen for children lessen and eventually the value of family day care is lost and families end up choosing not to use it. Why would they if the quality that their child experiences is less than they can find elsewhere?⁵⁰

2.49 Rural and regional services will be especially disadvantaged by cuts to the CSP, with FDCA noting that in communities like Cooktown in Far North Queensland, family day care is the only viable child care option available to families.⁵¹ Further, the loss of CSP funding will mean those parents, who are doctors, nurses and police

47 Ms Carla Northam, Chief Executive Officer, Family Day Care Australia, *Proof Committee Hansard*, 23 May 2014, p. 26.

48 Ms Carla Northam, Chief Executive Officer, Family Day Care Australia, *Proof Committee Hansard*, 23 May 2014, p. 26.

49 Ms Carla Northam, Chief Executive Officer, Family Day Care Australia, *Proof Committee Hansard*, 23 May 2014, p. 26.

50 Ms Peta McNellie, Chief Executive Officer, Family Day Care Australia, *Proof Committee Hansard*, 23 May 2014, p. 28.

51 Ms Peta McNellie, Chief Executive Officer, Family Day Care Australia, *Proof Committee Hansard*, 23 May 2014, p. 28.

officers working shift hours, will face significant challenges in accessing appropriate care.⁵²

2.50 FDCA noted that they, like other providers, were subject to the NQF, but would no longer be receiving any assistance for implementation, due to the cessation of funding to the Early Years Quality Fund (EYQF).

2.51 The department argued that the changes to the CSP did not result in outlays, but was an attempt to tighten guidelines to 'make sure program[s] live within [their] allocations.'⁵³

Committee view

2.52 The committee is not persuaded that the cuts announced will make sure the CSP lives within its allocations, and believes they represent an ill-conceived budgetary measure designed to maximise savings at the expense of quality family day care services. The committee accepts the evidence presented that the CSP is an important funding stream that supports critical ECEC services, especially to families living in regional and rural Australia, or families whose parents are involved in shift work.

2.53 The committee is particularly concerned with the evidence presented that families from low socio-economic backgrounds will be especially vulnerable to price increases resulting in the decision to remove \$157 million from the CSP.

Workplace English Language and Literacy

2.54 The committee received evidence that the Workplace English Language and Literacy (WELL) program was set up to support the numeracy and literacy needs of employees. Mr Rod Cooke, CEO of the Community Services and Health Industry Skills Council, noted that one of the major 'blights' on the national economy was that up to two thirds of workers do not have appropriate literacy skills for their profession. WELL provided a pathway for employers to obtain financial assistance for improving the literacy of their employees:

It was a valuable adjunct tool to support that. It was only limited in funding, unfortunately, and could not meet all of the demand that was out there. As the funding occurred, we funded a broker to go around and work with employers. We were only brokered to do 20 or 30 applications year. We had a queue of 480 applications when the project was closed. We just could not get funding for that. So the demand far outstripped the funding available, but it was disappointing that the limited funding that had been available has been closed.⁵⁴

53 Ms Jackie Wilson, Deputy Secretary, Early Childhood Education and Care, Department of Education, *Proof Committee Hansard*, 22 May 2014, p. 1.

54 Mr Rod Cooke, Chief Executive Officer, Community Services and Health Industry Skills Council, *Proof Committee Hansard*, 23 May 2014, p. 53.

Committee view

2.55 The committee is greatly concerned by the changes to JETCCFA, the CSP and the apparent abolition of the WELL scheme. The committee believes that there are significant economic and social benefits to providing parents and carers with pathways to further education. This is critical because they have a significant and positive impact on workforce participation and economic growth by encouraging gainful employment, and less reliance on government assistance. The committee agrees that the benefits of these programs outweigh the costs, and does not support the removal of programs designed to increase job opportunities for working families.

2.56 The committee is persuaded by evidence suggesting that the CCB and CCR are vital to ensure the affordability of quality ECEC services in Australia. The committee believes the changes to the child care and education assistance in the budget are unfair because they disproportionately affect middle and low income families, especially in rural and regional areas, who have a genuine need for financial assistance.

Recommendation 1

2.57 The committee recommends that the government rescind its proposed budget changes to ECEC funding, particularly in relation to CCB.

Recommendation 2

2.58 The committee recommends that the government act to immediately restore the JETCCFA to a maximum of 50 hours, and re-establish the WELL program.

Universal Access funding commitments

2.59 On 19 April 2013 the Council of Australian Governments (COAG) endorsed the National Partnership Agreement on Universal Access (UA) to Early Childhood Education.⁵⁵ The goal of the agreement was to:

...maintain universal access to quality early childhood education programme(s) to the end of 2014, with a focus on improved participation by vulnerable and disadvantaged children.⁵⁶

2.60 The agreement also resulted in a significant financial commitment by the Commonwealth Government of \$660.1 million over 18 months to 31 December 2014.⁵⁷

55 Department of Education, *National Partnership Agreement on Universal Access to Early Childhood Education*, <http://education.gov.au/national-partnership-agreement-universal-access-early-childhood-education> (accessed 24 June 2014).

56 Department of Education, *National Partnership Agreement on Universal Access to Early Childhood Education*, <http://education.gov.au/national-partnership-agreement-universal-access-early-childhood-education> (accessed 24 June 2014).

57 Department of Education, *National Partnership Agreement on Universal Access to Early Childhood Education*, <http://education.gov.au/national-partnership-agreement-universal-access-early-childhood-education> (accessed 24 June 2014).

2.61 The committee heard evidence relating to the proposed changes to the universal access agreement. Changes yet to be formally announced could see a significant reduction in funded hours by the Commonwealth Government.

2.62 ACCS argued that the lack of information on the future of the UA agreement is causing uncertainty for many stakeholders because service providers were unable to plan for enrolments over the coming years. In addition, state governments have indicated they are unable to match the funding commitments previously agreed to under the then National Partnership:

We know there was a huge amount of angst across the sector because people were planning for next year and enrolling for next year. But they have breathing space now for 12 months at least. We had the state government saying they were not prepared to put the money in. We have parents and centres that have now done all sorts of things because of those extra hours. I think parents will be very, very cross if that money is not continued. It has enabled parents to use kindergarten as part of a childcare mix because the days are longer and so they can have two days at kindergarten and a day with grandma, whereas that has not been the case in the past with kindergartens being so traditionally sessional. So it has added to the childcare availability.⁵⁸

2.63 Baw Baw Shire Council added their significant concerns to those of other submitters and witnesses, who submitted the possible reduction from 15 hours to ten is especially troubling in light of the value of investing in ECEC, as well as the negative impact of the reduction on workforce participation.⁵⁹ They argued that the interim period between the cessation of Commonwealth funding and a new agreement was having a significant negative impact on communities and families:

One of our concerns is the time frame that all this is going through. We have had some indication that there may be a 12-month review period, which is fine, and that we can go ahead with next year. We are already doing our enrolments for kinder right now, so we have enrolled them in 15-hour programs. If that changes between now and next year, the implications are massive.⁶⁰

2.64 ELAA raised concerns with respect to the UA agreement. ELAA submitted the Commonwealth would withdraw from the UA funding arrangement, with ten hours to be solely funded by the states.⁶¹ This is particularly difficult given the

58 Dr Anne Kennedy, National Secretary, Australian Community Children's Services, *Proof Committee Hansard*, 21 May 2014, p. 13.

59 Ms Belinda Forester, Manager Human Services, Baw Baw Shire Council, *Proof Committee Hansard*, 21 May 2014, p. 16.

60 Ms Leonie Martens, Coordinator, Family and Children's Services, Baw Baw Shire Council, *Proof Committee Hansard*, 21 May 2014, p. 16.

61 Mr Shane Lucas, Chief Executive Officer, Early Learning Association of Australia, *Proof Committee Hansard*, 21 May 2014, p. 24.

significant investments made by some centres based on the expected continuation of UA funding:

This morning I have been at a launch of Box Hill North Primary School kindergarten's refurbished facility. The kindergarten teacher there was saying that their school has had a kindergarten for 18 years, so it has had a smoother transition process because of the proximity of the primary school and the relationship between the two. In the three years they have been delivering 15 hours, the benefits for the children in her care are significant. So we certainly would not want to do anything other than prioritise the impact on children, which we believe would be terrible.

As for the impact on the work force, some of our members have estimated that a combination of redundancies and reduced hours for staff would mean towards 30 per cent of their existing work force would be impacted in some form or other, again depending on the size. Again, at Boxhill North Primary School this morning—a reasonably affluent community—the kindergarten teacher told me that they have had an active conversation around the committee of management. If that occurs, they will go to the parents and see whether the parents are prepared and can afford to pay that five-hour gap, and that will be upwards of a 70 per cent increase on their parent fees.⁶²

2.65 Further, ELAA noted that it was often forgotten that one of the reasons for the UA agreement was to ensure:

...that people from disadvantaged communities, children with disabilities and developmental delays, would be receiving funding for that 15 hours of early learning and additionally getting some inclusion support...⁶³

2.66 ACA noted that UA funding had previously assisted many children to access 15 hours of a preschool-kindergarten program and has been beneficial. ACA noted that even under the existing UA arrangement:

Attending an ECEC service has become almost impossible for children of families living in low socioeconomic circumstances and/or with a disadvantage as the costs have risen over the past years.⁶⁴

2.67 Boroondara Council noted that the introduction of UA had been challenging for some service providers in the area, who were required to make staffing, timetabling and other administrative changes to implement the 15 hour requirement. Boroondara's recent consultation revealed that many stakeholders are concerned with the possible removal of Commonwealth support, returning to a ten hour model. They noted:

62 Mr Shane Lucas, Chief Executive Officer, Early Learning Association of Australia, *Proof Committee Hansard*, 21 May 2014, p. 24.

63 Mr Shane Lucas, Chief Executive Officer, Early Learning Association of Australia, *Proof Committee Hansard*, 21 May 2014, p. 28.

64 Ms Gwynn Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, 21 May 2014, p. 32.

Some services have asked the question: 'What do we do?' Some have indicated that they would continue to offer 15 hours but, if the extra five hours is not funded, then that increased cost will be forced onto parents. Other kindergartens are saying: 'We won't be able to do that. That is untenable, so we will reduce our service back to 10 hours.' But then that has significant implications on their staffing arrangements.⁶⁵

2.68 The AEU also restated its concerns about the future of UA, noting the changes in the budget that did not include a line item for provision of the universal access guarantee, and appeared to confirm suspicions of some stakeholders that the Commonwealth is planning to reduce its financial involvement with an expectation that the states should make up the difference:

It would appear to us that the Victorian government may inadvertently have let the cat out of the bag with references to the fact that without such Commonwealth provision of funding they would return to 10 hours for children. We believe the overwhelming impact of that on the sector would have dire consequences in terms of staffing and in terms of access for our children to education.⁶⁶

2.69 The AEU also argued that the loss of funding would have a very negative impact on families accessing ECEC services. They argued there would be significant flow on effects for the economy, including negative effects on workforce participation, access to higher education for parents, and educator job losses.⁶⁷ The AEU also criticised the suggestion that the difficulty in obtaining adequately qualified staff justified cutting the UA arrangements:

While with the universal access policy there has been some challenge in meeting the supply issue for qualified early childhood teachers, our view is that that does not warrant setting aside that objective and cutting the services on that basis, but it will in fact result in an ongoing problem around supply because here in Victoria our industrial arrangements would mean that many of the positions would become 30-hour positions on the basis of non-teaching time to teaching time.⁶⁸

2.70 The department explained that the government is currently undertaking reviews on many aspects of Commonwealth funding for ECEC services, including a review into the UA agreement. The department noted the Commonwealth provided \$1.6 billion into the national partnership, composed of two agreements, with the

65 Ms Jacinta Barnes, Senior Coordinator Family Services Development, City of Boroondara, *Proof Committee Hansard*, 21 May 2014, p. 42.

66 Ms Shayne Quinn, Representative on AEU National Early Childhood Education Committee, Australian Education Union, *Proof Committee Hansard*, 21 May 2014, p. 56.

67 Ms Shayne Quinn, Representative on AEU National Early Childhood Education Committee, Australian Education Union, *Proof Committee Hansard*, 21 May 2014, p. 56.

68 Ms Shayne Quinn, Representative on AEU National Early Childhood Education Committee, Australian Education Union, *Proof Committee Hansard*, 21 May 2014, p. 56.

review report expected to be provided to ministers in June.⁶⁹ The department also explained that there was significant research detailing the advantages of having between ten and 15 hours access, especially given the significant advantages for children.⁷⁰

2.71 Representatives of the Australian Research Alliance for Children and Youth (ARACY) were particularly supportive of UA, arguing it was at the core of their beliefs as an organisation.⁷¹ They noted:

It benefits early learning and development, not just in its service to assist participation. We are calling for a fundamental shift in the way that we talk about and perceive early childhood education in Australia to emphasise the central role that quality early childhood education plays in children's development and wellbeing, not just in the participation of their parents in the workforce.⁷²

2.72 ARACY explained that Australia had moved to 15 hours based on research, primarily from the United Kingdom in the original National Partnership Agreement.⁷³ Further, ARACY undertook to provide additional detail relating to the recently implemented increase in the UK's UA agreement, from 15 to 25 hours. In answers to *questions on notice*, ARACY noted:

A Melbourne Institute (Houng, Jeon, & Kalb, 2011) study on the effects of childcare on child development found that after 24 hours per week, there may be diminishing returns. The researchers noted that, regardless of type of childcare, children who received medium levels of childcare per week (defined as between 8 and 24 hours) have better learning outcomes than children with either lower (less than 8 hours) or greater (over 24 hours). However, they found that, regarding learning outcomes, all and any childcare use is better than no early education use at all.⁷⁴

2.73 ARACY were clear in their advocacy for an increase in access to high quality ECEC and pre-school services, noting that UA overseas often means access for three year olds to preschool:⁷⁵

69 Ms Jackie Wilson, Deputy Secretary, Early Childhood Education and Care, Department of Education, *Proof Committee Hansard*, 22 May 2014, p. 2.

70 Ms Jo Caldwell, Group Manager, Early Childhood Strategy Group, Department of Education, *Proof Committee Hansard*, 22 May 2014, p. 9.

71 Ms Amarylise Bessey, Senior Research Manager, Australian Research Alliance for Children and Youth, *Proof Committee Hansard*, 22 May 2014, p. 13.

72 Ms Amarylise Bessey, Senior Research Manager, Australian Research Alliance for Children and Youth, *Proof Committee Hansard*, 22 May 2014, p. 13.

73 Ms Amarylise Bessey, Senior Research Manager, Australian Research Alliance for Children and Youth, *Proof Committee Hansard*, 22 May 2014, p. 14.

74 ARACY, *answers to questions on notice*, p. 1.

75 Ms Amarylise Bessey, Senior Research Manager, Australian Research Alliance for Children and Youth, *Proof Committee Hansard*, 22 May 2014, p. 14.

In terms of child development and brain development, that would have more impact than increasing the hours at four years. Indeed, many countries now offer access for vulnerable kids to two-year-old preschool, so giving that access to those vulnerable families who are perhaps not participating in good-quality child care or not accessing any at all because they are not participating and therefore are not accessing child care. In an ideal world, we would have universal access to preschool much earlier, and we would certainly make that the call before we looked to extending hours for four-year-olds.⁷⁶

2.74 In response to criticism of the expense of investment in UA, ARACY noted the *Chicago Child-Parent Centres* study that found a ten-to-one return on investment in preschool for disadvantaged students.⁷⁷ The same study estimated that the economic payoff for preschool over 40 years is \$17 for every \$1 spent.⁷⁸

2.75 The IEUA also supported current UA arrangements, arguing in evidence presented to the committee that:

...the continuation of federal funding for universal access. This national partnership provided funding to states so that the program of early childhood education could be provided by a qualified early childhood teacher. It was central in breaking the dichotomy between education and day of care. It would help to provide greater access to early childhood education. We would argue that we should be continuing to focus on universal access. We are aware that there is a review. We are aware that there is some contingency funding in the budget for a further year extension, but we would call for a need for a stronger and longer commitment to support universal access.⁷⁹

2.76 Goodstart Early Learning explained they had not received clear information from the government relating to the future of the UA agreement, noting that no dollar amount had been provided for the continuation of Commonwealth funding of the UA past 31 December 2014.⁸⁰

Committee view

2.77 The committee notes the overwhelming support for UA in Australia, and agrees that it should continue as currently funded to provide certainty to families and services.

76 Ms Amarylise Bessey, Senior Research Manager, Australian Research Alliance for Children and Youth, *Proof Committee Hansard*, 22 May 2014, p. 14.

77 Ms Anne Waddoups, Senior Research Manager, Australian Research Alliance for Children and Youth, *Proof Committee Hansard*, 22 May 2014, p. 15.

78 Ms Amarylise Bessey, Senior Research Manager, Australian Research Alliance for Children and Youth, *Proof Committee Hansard*, 22 May 2014, p. 15.

79 Ms Christine Cooper, Assistant Federal Secretary, Independent Education Union of Australia, *Proof Committee Hansard*, 22 May 2014, p. 22.

80 Mr John Cherry, Advocacy Manager, Goodstart Early Learning, *Proof Committee Hansard*, 22 May 2014, p. 41.

The committee is persuaded by evidence supporting a 15 hour minimum universal access for four year olds, noting the increase to 25 hours in the UK. The committee agrees that the long term social and economic benefits of universal access are clear, and should remain a priority for the government.

Recommendation 3

2.78 The committee recommends that the government maintain the National Partnership agreements put in place by the previous Labor government to guarantee universal access for four year olds.

**Senator Sue Lines
Chair, References**