



## 2020-21 Federal Budget

---

### Pre-Budget Submission (revised) from Early Childhood Australia

August 2020

#### *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.

Find our more at: [www.earlychildhoodaustralia.org.au](http://www.earlychildhoodaustralia.org.au)

**Or contact:** Samantha Page, CEO  
Early Childhood Australia  
Ph: 02 6242 1800



## Overview

Early Childhood Australia (ECA) welcomes this opportunity to provide advice to the Australian Government on the 2020 Budget.

This version replaces our previous submission (dated December 2019), and addresses the particular circumstances generated by the COVID-19 pandemic.

## Our recommendations

In summary, ECA's recommendations to the Government for the 2020 Budget are:

1. Increase the affordability of early childhood education and care by increasing the **Child Care Subsidy** to a maximum of 95 per cent for low-income families, tapering down to 30 per cent for high-income families.
2. Suspend the **activity test** until 30 June 2021.
3. Provide additional funding to **Aboriginal and Torres Strait Islander** community-controlled early learning and family support services.
4. Commit to a five-year funding agreement for **preschool**.
5. Increase funding for children with **disability and additional needs** in early learning and care services, to match increased demand.
6. Fund **professional development** to help teachers and educators support children through the pandemic.

## Issues for the 2020 Budget

### 1. COVID-19 and early childhood education and care

The COVID-19 pandemic has already prompted significant policy changes (some short-lived) regarding funding of, and access to, early childhood education and care in Australia. Policies will require further change into 2021, if Australia is to meet three critical goals for the post-pandemic period:

1. Every child has stable access to high quality early childhood education and care;
2. Parents of young children are able to participate in an uncertain and unpredictable employment market; and
3. The early childhood education and care sector remains viable and able to support Australia's economic recovery.

Early learning and care services have occupied an almost unique position during the pandemic: they are the only educational sector to remain open, providing continuity of learning and care for young children, and enabling parents and carers to remain in the workforce.



The Government has endeavoured to support the early childhood education and care sector through the pandemic, to ensure its viability. Given the likely length of the post-pandemic economic downturn, this cannot be a short-term investment. In its latest outlook, the Reserve Bank of Australia concluded that, '[i]t will take a considerable period of time to recover the lost output and employment resulting from the COVID-19 outbreak'.<sup>1</sup>

The economic downturn has already increased the labour force underutilisation rate. Underutilisation of female labour was an existing feature of the Australian economy before the pandemic. If the Government does not act swiftly to support women's workforce participation, Australia risks a rapid widening of the gender pay gap, as occurred after the global financial crisis of 2008-09.<sup>2</sup>

In a time of strong economic contraction, the Child Care Subsidy (CCS) performs poorly for families with reduced or erratic income and work hours. For these families, the CCS presents barriers to maintaining their children's participation in early learning and care, due to inadequate subsidy rates and the limitations of the activity test. The inflexibility of the CCS also means that families seeking additional work cannot 'lock in' hours of learning and care in advance, making it difficult to take extra shifts or work days when they become available.

Put simply: unemployed and underemployed parents need capacity to seek work and to retrain, and this will only be possible if they have good access to affordable early childhood education and care. This requires two policy measures:

- Increasing the CCS rate
- Suspending the activity test.

ECA supports the proposal by the Grattan Institute to increase the CCS to 95 per cent, tapering down to 30 per cent (compared to the current spread of 85 per cent-20 per cent).<sup>3</sup> As the Grattan Institute demonstrates, the additional investment of \$5 billion in the CCS would generate economic returns of \$11 billion annually. This modelling is not contested, and follows other studies that have highlighted the positive macroeconomic effects of supporting parents' workforce participation.<sup>4</sup>

The activity test is predicated on a healthy job market, and seeks to ration early learning and care subsidies based on parental employment or recognised 'work-like' activities. However, many

---

<sup>1</sup> Reserve Bank of Australia. (2020). [Statement on Monetary Policy](#). August 2020.

<sup>2</sup> Workplace Gender Equality Agency. (2020). ['The national gender pay gap is now 14%'](#). Media release. 13 August 2020.

<sup>3</sup> Grattan Institute. (2020). [Cheaper childcare: A practical plan to boost female workforce participation](#).

<sup>4</sup> See PwC. (2019). [A Smart Investment for a Smarter Australia: Economic analysis of universal early childhood education in the year before school in Australia](#); PwC. (2014). [Putting a value on early childhood education and care in Australia](#).



families are likely to experience precarious workforce engagement well into 2021. In these circumstances, the Government should suspend the activity test, instead granting all children access to 100 hours of CCS per fortnight, regardless of their parents' activity. The Government should also review the activity test, to assess its appropriateness for the period beyond June 2021.

**ECA recommendation 1:** Increase the affordability of early childhood education and care by increasing the CCS to a maximum of 95 per cent for low-income families, tapering down to 30 per cent for high-income families.

**ECA recommendation 2:** Suspend the activity test until 30 June 2021, while the test is reviewed.

## 2. Closing the Gap

The new National Agreement on Closing the Gap commits the parties 'to building formal Aboriginal and Torres Strait Islander community-controlled sectors to deliver services to support Closing the Gap'.<sup>5</sup> This is one of four 'priority reforms', which will help to achieve measurable outcomes, including:

- Outcome 3: Aboriginal and Torres Strait Islander children are engaged in high quality, culturally appropriate early childhood education in their early years.
- Outcome 4: Aboriginal and Torres Strait Islander children thrive in their early years.

ECA has previously highlighted the central importance of empowering Aboriginal and Torres Strait Islander communities to provide early learning and care services, and family support services, to their own children. Our joint position paper with SNAICC-National Voice for Our Children recommended 'investment in quality Aboriginal and Torres Strait Islander community-controlled integrated early years services' as 'the most effective means to improve outcomes' for Indigenous children.<sup>6</sup>

ECA welcomes the Government's recent allocation of an additional \$6.1 million to the Community Child Care Fund, for which Aboriginal and Torres Strait Islander community-controlled early learning services are eligible to apply.<sup>7</sup> While this funding allocation is useful, it must be followed by a much larger process of working with community-controlled services to fund the development of the resources and skills they need to ensure that Aboriginal and Torres Strait Islander children thrive.

ECA also supports the measures proposed by SNAICC-National Voice for Our Children in its pre-Budget submission.

---

<sup>5</sup> Joint Council on Closing the Gap. (2020). [National Agreement on Closing the Gap](#). p. 8.

<sup>6</sup> ECA & SNAICC. (2019). [Working together to ensure equality for Aboriginal and Torres Strait Islander children in the early years](#). pp. 8, 9.

<sup>7</sup> Tehan, D. (2020a). [Government support for services in need](#). Media release. 12 August 2020.



**ECA recommendation 3:** Provide additional funding to Aboriginal and Torres Strait Islander community-controlled early learning and family support services.

### 3. Strengthening preschool

The Government faces many pressing problems, but now is not the time to place preschool reform on the backburner. The Review of the Universal Access National Partnership (UANP), released this year, was unequivocal: preschool is a powerful investment in Australia's future, but preschool funding requires much greater certainty and better governance.<sup>8</sup>

The Review of the UANP concluded that, from 2021, preschool funding should be governed by a National Partnership of five years' duration. The 2020 Budget should therefore include Commonwealth funding for preschool across the forward estimates.

A five-year National Partnership will also provide a strong platform for negotiating the rollout of a second year of subsidised preschool. The expert advice is that two years of preschool participation is better than one, for the sake of children's learning, wellbeing and development.<sup>9</sup>

**ECA recommendation 4:** Commit to a five-year funding agreement for preschool.

### 4. Supporting children with additional needs

The inclusion of children with disability and additional needs in early learning and care services is very important on a number of counts—including children's educational outcomes, their wellbeing, human rights and their families' ability to participate in the workforce.

In providing feedback ahead of changes to the Australian Government's Inclusion Support Program (ISP) Guidelines, ECA noted that the new Guidelines would expand and improve the eligibility criteria for children who do not yet have a diagnosed disability, and increase the number of organisations eligible to access Inclusion Development Fund (IDF) Innovative Solutions Support.<sup>10</sup> While these changes have the potential to be very positive, they may fail without adequate funding.

ECA is acutely aware that broadening the user base of the ISP will increase the level of demand from early learning and care services for inclusion support, and will place greater demands on Inclusion Agencies. It is therefore imperative that funding of the ISP matches growth in demand.

---

<sup>8</sup> Nous Group. (2020). [UANP Review: Final Review Report](#).

<sup>9</sup> Pascoe, S. and Brennan, D. (2017). *Lifting our Game: Report of the Review to Achieve Educational Excellence in Australian Schools Through Early Childhood Interventions*. Melbourne: Victorian Government. p.47.

<sup>10</sup> Early Childhood Australia. (2019). *Proposed changes to the Inclusion Support Program Guidelines. Response from Early Childhood Australia*. 11 November.



ECA welcomes the Government's recent announcement of an additional \$5.2 million for the ISP budget.<sup>11</sup> However, an expanded user base and greater demands on Inclusion Agencies will require a greater increase in real funding.

**ECA recommendation 5:** Increase funding for children with **disability and additional needs** in early learning and care services, to match increased demand.

## 5. Supporting professional learning

The social and economic circumstances of 2020 have created a need for additional training for early childhood teachers and educators in (a) mental health and wellbeing; and (b) supporting children's transition to school.

The COVID-19 pandemic has created considerable stress and anxiety, which is likely to have an impact on children, particularly in families directly affected by the virus and/or the economic downturn. Beyond the cohort of children served by the ISP (see above), it is essential that all children in early education and care services are supported in maintaining good mental health.

The disruption caused by lockdowns and families choosing to keep their children at home holds particular risk for children in the year before school (preschool). Extra professional development is required so that teachers and educators can help preschool children (and their families) make a smooth transition to school in 2021.

**ECA recommendation 6:** Fund professional development to help teachers and educators support children through the pandemic.

---

<sup>11</sup> Tehan, D. (2020b). [‘Supporting vulnerable and disadvantaged children during COVID-19’](#). Media release. 13 August 2020.