

# **Goodstart Early Learning: 2021-22 Pre-Budget Submission to the Australian Treasury**

**January 2021**

## PRE-BUDGET SUBMISSION TO THE AUSTRALIAN TREASURY – BUDGET 2021-22

### About Goodstart Early Learning

Goodstart Early Learning (hereafter Goodstart) is Australia's largest not-for-profit social enterprise and Australia's largest Early Childhood Education and Care (ECEC) provider, with 670+ centres located in all states and territories, supporting more than 70,700 children from 59,200 families. Our purpose is to ensure all Australia's children have the learning, development and wellbeing outcomes they need for school and life.

### Summary

Early childhood education and care (ECEC) has always been deserving of government investment, given the dual benefits it delivers in supporting workforce participation and educating and optimising children's learning and development, particularly for children facing disadvantage.

The evidence is indisputable: investing in ECEC makes good economic sense. For every dollar invested in ECEC programs, two dollars is returned<sup>1</sup> through increased earnings across the child's lifetime and those gained by families returning to the workforce earlier. We also know that the cost of inaction – of late intervention – is around \$15bn per annum<sup>2</sup>. With up to 90% of brain development occurring before a child starts primary school<sup>3</sup>, it is no wonder that quality ECEC makes a significant contribution to achieving educational excellence in schools<sup>4</sup>.

The emergence of COVID-19 in 2020 reinforced that ECEC is absolutely essential to the Australian economy and for keeping children safe and continuing to learn. We stayed open, day in and day out, for essential workers – health care professionals, police, teachers, delivery drivers and cleaners, etc – so the country could keep moving. We prioritised care for vulnerable children during changes to services such as in-home therapy and child safety visits, reinforcing the important role teachers and educators play in keeping children at risk safe<sup>5</sup>.

The Australian Government's support for the ECEC sector throughout 2020 reinforced how essential we are for the economy. Policy and funding measures in response to COVID-19 helped children keep learning, families keep working and the sector stay open and we commend Government for taking these steps.

As we enter a 'new COVID normal', we must take what we learned in 2020 and continue focusing on providing children and families with certainty and stability. Simplifying and solidifying access to key supports in the Child Care Safety Net – particularly to support people returning to work and those affected by emergencies, outbreaks and disasters – is essential to supporting impacted families return to work or pick up additional work. We also strongly endorse the COAG Education Council Universal Access National Partnership (UANP): Final Review Report Key Finding 22 (and overarching finding) to provide long term funding certainty and guarantee preschool for every Australian child<sup>6</sup> and secure funding for the workforce who deliver it.

For this reason, we ask Government to:

- **Support maximum workforce participation at all income levels** by increasing uptake of Additional Child Care Subsidy – Transition to Work to support low income families receiving Parenting Payment or JobSeeker to re-enter the workforce and remove workforce disincentives for middle- and high-income earners currently working part-time by abolishing the annual CCS cap;
- **Embed a consistent response to emergencies, natural disasters and COVID hotspots** by securing policy and funding responses to support families when they need it most, specifically, allowing providers to waive families' gap fees when closed (or closed to certain families) and simpler access to Additional Child Care Subsidy – Temporary Financial Hardship;

<sup>1</sup> The Front Project (2019), [A smart investment for a smarter Australia](#).

<sup>2</sup> The Front Project (2019), [How Australia can invest in children and return more – A new look at the \\$15bn cost of late action](#).

<sup>3</sup> Center on the Developing Child (2007), [The Science of Early Childhood Development \(InBrief\)](#).

<sup>4</sup> Brennan and Pascoe (2017), [Lifting our Game](#).

<sup>5</sup> Gredley, R (2021), [Virus shows schools' role in child safety](#).

<sup>6</sup> COAG Education Council, March 2020, [UANP Review: Final Review Report](#).

- **Guarantee access to early learning for all Australian children** by committing 5 years of universal access funding, consistent with Key Finding 22 of the COAG UANP Final Review Report, and providing every child at least 36 subsidised hours per fortnight (an increase of just 12 hours from CCS24), regardless of work or income;
- **Invest in the ECEC workforce** by funding strategies and initiatives in the National ECEC Workforce Strategy; and
- **Commit to longer-term affordability and equitable access reforms** by implementing recommendations made by the Grattan Institute and KPMG, as well as simplifying access to early learning for children at risk and children with additional inclusion support needs.

### Specific recommendations

Government to support maximum workforce participation for all income earners by:

1. Improving access to ACCS Transition to Work to address very low uptake (a 17% decline from Jan-Feb 2020 to July 2020<sup>7</sup>) and to mitigate workforce disincentives for JobSeekers and Parenting Payment recipients.
2. Removing the annual cap of \$10,560 per child per year to remove work disincentives for middle- and high-income earners.
3. Restore the affordability of early childhood education and care to the settings achieved when the Jobs for Families Child Care Package was announced in 2015.

Government to support the attraction, retention and recognition of ECEC teachers and educators by:

4. Funding the development and implementation of the National Early Childhood Education and Care Workforce Strategy agreed at COAG Education Council in December 2019.

Government to guarantee long-term, sustainable early childhood education and care funding by:

5. Allocating funding across forward estimates to provide long-term, sustainable funding for universal access to preschool for at least 5 years, consistent with Key Finding 22 of the COAG UANP Final Review Report.
6. Increasing the CCS24 Child Care Safety Net result to at least 36 subsidised hours per fortnight, so that every child can access at least two days of subsidised early learning, regardless of their family's circumstance.

Government to embed support for families in emergencies, disasters and COVID-19 hotspots by:

7. Permanently continuing provisions in the Minister's Rule (currently scheduled to expire at the end of January 2021) to allow providers to waive out of pocket costs (gap fees) for families when a centre is directed to close or when it is effectively closed to certain families (e.g. during stay at home orders when access is only permitted for essential workers and vulnerable children).
8. Increasing funding for children and families in early learning impacted by emergencies and natural disasters by providing fee relief for families through a new disaster category of ACCS Child Wellbeing or permit providers to submit ACCS Temporary Financial Hardship applications for affected families.

Government to support longer-term reform of the Child Care Subsidy by:

9. Committing funding for longer-term CCS reform to:
  - improve affordability by increasing the CCS subsidy rates, flattening the taper and removing the annual per child cap;
  - simplify access to early learning for children at risk of abuse or neglect by increasing the ACCS Certificate period to 13 weeks; and
  - support workforce participation for all parents and carers and ensure their children are supported to meaningfully participate in early learning by increasing funding for the Inclusion Support Program.

<sup>7</sup> APH, August 2020, [60. Childcare support data, Dr Baxter DESE 11082020](#).

## RECOMMENDATIONS IN DETAIL

**Recommendation 1:** Improve access to ACCS Transition to Work to address very low uptake (a 17% decline from Jan-Feb 2020 to July 2020<sup>8</sup>) and to mitigate workforce disincentives for JobSeekers and Parenting Payment recipients.

For families seeking to return to work or study after a period of income support, the cost of ECEC can create financial disincentives as income support and other welfare payments are withdrawn. ACCS Transition to Work provides a 95 per cent subsidy rate to families on income support payments to transition to work through work, study or training activities. It is a well-designed, targeted subsidy and has shown to be highly effective for recipients. However, uptake of the subsidy has significantly decreased despite the potentially eligible cohort significantly increasing. Government data indicates that, even though the number of JobSeekers doubled in the period December 2019 to May 2020<sup>9</sup>, there was a 17% decrease in the number of people approved for ACCS Transition to Work compared with pre-COVID levels. Our experience was consistent, with a 14% decrease in ACCS Transition to Work recipients at Goodstart centres, which had not returned to pre-COVID levels by December 2020.

Families who receive this support have told us it is highly effective when it works. However, there appears to be systemic issues preventing eligible families from accessing this support. Our research suggest changes may be needed to the administrative processes to ensure families can easily access the support they need.

We ask Government to investigate the reasons for this very low take up and to take the necessary steps to remove barriers and improve pathways for families on income support to better access this subsidy and support them into work, study or training.

**Recommendation 2:** Remove the annual cap of \$10,560 per child per year to remove work disincentives for middle- and high-income earners.

Another effective measure would be to remove the \$10,560 per child annual subsidy cap for families earning more than \$189,930 per annum. This would reduce the high effective marginal tax rates for secondary income earners picking up additional days, particularly for professional women.

Job losses as a result of COVID were particularly felt in certain industries, such as retail, tourism and hospitality. Women were over-represented in unemployment figures during the COVID crisis with the 55% of the 600,000 jobs lost in April were held by women, even though they accounted for only 47% of the workforce<sup>10</sup>. Though they are very slowly returning to employment, they are still participating at far lower levels than men (61.4% for women compared to 71.0% for men)<sup>11</sup>.

Maximising the workforce participation of all Australians – particularly women – will be essential, especially with migration to Australia estimated to fall by 85% next year<sup>12</sup> and likely to be constrained for many years. Supporting women to work an extra day is a key mechanism for boosting workforce participation, which will increase economic growth.

Eliminating the annual CCS cap that affects families earning over \$189,000 per annum reduces workforce disincentives to working full-time<sup>13</sup>. There is also evidence that investing in the ‘care economy’, which includes early learning and care and other social services, creates twice as many jobs as the same level of investment in construction and can lift women’s employment by 5.3%<sup>14</sup>.

<sup>8</sup> APH, August 2020, [60. Childcare support data, Dr Baxter DESE 11082020](#).

<sup>9</sup> APH, 14 July 2020, [‘The impact of COVID-19 on JobSeeker Payment recipient numbers by electorate’](#).

<sup>10</sup> Boyle, J, Monash University, 14 December 2020, [‘There’s a fundamental need to reverse the ‘pink recession’](#).’

<sup>11</sup> ABS (2020), [‘Labour Force, Australia – November 2020’](#).

<sup>12</sup> SBS News, 1 May 2020, [Australia's migration intake to fall 85 per cent due to coronavirus, Scott Morrison says](#).

<sup>13</sup> KPMG (2020), [The Child Care Subsidy: Options for increasing support for caregivers who want to work](#).

<sup>14</sup> Dawson, E, Australian Financial Review, 3 August 2020, [‘The case for a pink stimulus shot.’](#)

### Example of the financial disincentive created by the annual cap

A couple has two children in early learning and care. The father is a policeman on \$100,000 per annum and the mother is a teacher on \$60,000 per annum, working three days per week. The mother would like to work full-time but the annual CCS cap means the family budget would reduce by 20 cents for every extra dollar earned on the fifth day, making the household financially worse off by \$78 per week. This limits the workforce participation of secondary income earners, particularly mothers<sup>15</sup>.

**Recommendation 3:** Restore the affordability of child care to the settings achieved when the Jobs for Families Child Care Package was announced in 2015.

When it was released in 2015, then-Minister Morrison stated the Jobs for Families Child Care Package would result in a family earning between \$65,000–\$170,000 per annum being around \$30 a week better off.<sup>16</sup> More recently, the Prime Minister has recognised that improved child care affordability has contributed to increasing female workforce participation and reducing the gender pay gap, particularly for low and middle income families.<sup>17</sup> However, the Child Care Subsidy settings have not kept up with changes in the economy in terms of increases in wages and child care fees. While the low income threshold for the Child Care Subsidy (CCS) has risen by 6.8% since July 2018 to \$69,390<sup>18</sup>, average weekly earnings have risen by 9.7% which means the subsidy has been losing value in real terms.<sup>19</sup> A one-off adjustment of at least 3% in the low income earners threshold is needed to restore the Child Care Subsidy affordability to its originally-intended level.

Similarly, the CCS hourly cap on fees has not kept up with increases in child care costs, particularly in higher-cost locations like inner-city areas, while it has proven to be effective at constraining fee growth in more urban and regional areas. The percentage of services charging fees above the cap has been steadily rising since 2018 – with increases skewed towards services and rooms with higher costs of delivery, like baby rooms and inner-city locations with high rents. An increase to the CCS hourly cap is needed to restore affordability to the original level announced in the 2015 Budget, noting local market forces and the design of the subsidy (providing a percentage of fees paid up to the cap) keeps downward pressure on fees, outside of higher cost rooms and locations. Consideration should also be given to setting separate, higher hourly caps for shorter sessions of care (i.e. less than 9 hours), recognising the hourly rate is higher on shorter sessions, due to the need to still capture fixed costs.

**Recommendation 4:** Fund the development and implementation of the National Early Childhood Education and Care Workforce Strategy agreed at COAG Education Council in December 2019.

The *Lifting our Game* report identified building workforce capability as a key initiative in improving the quality of early learning<sup>20</sup>. The looming national shortage of early childhood teachers poses an immediate challenge in maintaining the current national universal access to early childhood education as well as ensuring early childhood services meet the National Quality Framework.

The COVID-19 pandemic has had a dramatic effect on the ECEC workforce, as centres were recognised as essential services and stayed open even while schools were shut down. We have seen heightened level of employee anxiety in the ECEC sector<sup>21</sup> and increases in absenteeism and attrition rates.<sup>22</sup> Employee vacancy rates rose sharply across the sector over the course of 2020.<sup>23</sup> If this trend continues, then services may not be able to provide spaces to support Australians returning to work. Measures to promote attraction and retention of employees to the sector are urgent.

<sup>15</sup> KPMG (2020), [The Child Care Subsidy: Options for increasing support for caregivers who want to work](#).

<sup>16</sup> Scott Morrison MP media release, 10 May 2015, '[Jobs for Families Child Care Package delivers choice for families](#)'.

<sup>17</sup> Scott Morrison MP doorstep, 14 October 2020, <https://www.pm.gov.au/media/doorstop-parkhurst-qld>

<sup>18</sup> Based on CPI indexation over four years to Dec 2019.

<sup>19</sup> Average Weekly Earnings (ABS 6302.0) growth from Dec 2015 to Dec 2019.

<sup>20</sup> Pascoe & Brennan (2017), [Lifting our Game](#).

<sup>21</sup> The Front Project 2020, '[How COVID-19 impacts on early childhood teachers and educators](#)'.

<sup>22</sup> ABC, 22 October 2020, '[COVID-19 could be catalyst for childcare crisis as stressed, exhausted staff consider leaving](#)'; Jackson, J, in The Conversation, 15 January 2021, '[Early childhood educators are leaving in droves](#)'; The Australian 9 January 2021, "Concern over the quality of childcare due to staff shortage".

<sup>23</sup> Employer Survey National Skills Commission, [Jobs in Demand](#), Oct 2020.

In December 2019, Education Ministers endorsed the development of a new children's education and care workforce strategy. This strategy is vital to address the supply of suitably qualified teachers and educators, particularly in rural and remote areas, ensure there is a pipeline of future teachers in place for a national roll-out of three-year-old programs, provide professional development and support, and build a continuous learning culture to underpin quality improvement in programming and pedagogy in early childhood education.

We understand detailed consultation on this strategy will be undertaken this year. An early action should be a concerted public campaign to promote jobs and careers in the sector, which is predicted to generate jobs at a much faster rate than the rest of the economy over the next five years, generating an extra 30,000 jobs for educators<sup>24</sup> and 7,000 jobs for teachers.<sup>25</sup>

In order for the strategy to have a meaningful impact the Australian Government needs to commit to new investment for the implementation of the National Workforce Strategy for Early Childhood Education.

**Recommendation 5:** Allocate funding across forward estimates to provide long-term, sustainable funding for universal access to preschool for at least 5 years, consistent with Key Finding 22 of the COAG UANP Final Review Report.

In March 2020, COAG Education Council publicly released the UANP Review: Final Review Report on preschool funding. The review found that the National Partnership Agreement on Universal Access (UANP) has made a substantial contribution to the provision of preschool in all states and territories. Notably, the Report finds that a Governments should agree in-principle to move towards a National Agreement and that a new five-year UANP should be agreed ahead of more enduring funding arrangements from 2026<sup>26</sup>.

There is a wealth of evidence obtained through highly disciplined research about the benefits of preschool for children – particularly vulnerable and disadvantaged children. We can attribute a number of benefits to early childhood education (ECE)<sup>27</sup>:

- School readiness: children who participate in a quality ECE program are more likely to start school ready to learn and succeed.
- Long-term educational achievements: the effects of attending quality ECE program are observed in NAPLAN results in primary school as well as PISA, PIRLS and TIMSS results in primary and high school.
- 21st century skills: neuroscience tells us that early learning is when children learn the lifelong skills, including executive function, entrepreneurial skills, risk-taking, innovation, etc.
- Economic benefits: investing in preschool delivers a cost/benefit ratio of 2:1 in Australia<sup>28</sup>.

We strongly support and endorse the COAG Report findings to allocate funding to fund the National Partnership Agreement for Universal Access to Early Childhood Education for the next 5 years.

**Recommendation 6:** Increase the CCS24 Child Care Safety Net result to at least 36 subsidised hours per fortnight, so that every child can access at least two days of subsidised early learning, regardless of their family's circumstance.

The early years provide the foundation for the rest of a child's life. We know that almost 90 per cent of a child's brain development happens the first five years. In much of the OECD, children are likely to attend early learning for five days a week, with the debate focused on whether 'full time' (i.e. 5 long days or 30 hours a week) or 'half time' (i.e. 5 short days or 15 hours a week) is an optimal 'dosage', particularly for kindergarten. Five short

<sup>24</sup> Job Outlook – Occupation: [Child Carers](#).

<sup>25</sup> Job Outlook – Occupation: [Early Childhood Teachers](#).

<sup>26</sup> Nous (2020), [UANP Review: Final Review Report](#).

<sup>27</sup> Pascoe & Brennan (2017), [Lifting our Game](#).

<sup>28</sup> Pricewaterhouse Coopers, June 2019, [A Smart Investment for a Smarter Australia: Economic analysis of universal early childhood education in the year before school in Australia](#).

days was found to be most effective for improving child development for the general population, although children from disadvantaged families can benefit from more hours.”<sup>29</sup>

China, New Zealand, the United Kingdom and swathes of Europe and South East Asia are already providing early childhood education for their three-year-olds. To avoid being left behind, Australia should follow their lead and offer at least two days of subsidised early learning to all children.

#### *CCS Safety Net – CCS24 eligible children*

The current Child Care Safety Net for low-income families where one or both parents are not working provides up to 24 subsidised hours per fortnight (CCS24). This is not enough subsidised hours for these vulnerable children to access two consecutive days of early learning each week. In order to maximise their 12 subsidised hours per week – and because children benefit most from at least two days a week of early learning – Goodstart offers 2 x 6-hour sessions per week to children eligible for CCS24 at a reduced cost subsidised by our Social Purpose investment.

When the new CCS was introduced, Government encouraged providers to offer shorter sessions to improve flexibility and affordability for families. However, recovering fixed costs (like rent and core labour costs) over a fewer hours results in a higher hourly fee than if those costs are spread over a longer day. Goodstart has cross-subsidised the shorter session offering for these families, in order to keep it affordable, noting families are still required to pay 15% of session fees (CCS 85%). Our attendance data shows that when CCS24 eligible children become eligible for the preschool exemption, their average days of enrolment increase, which means low-income families are taking up this opportunity. Offering a baseline of 36 hours per child per fortnight would support affordable access to two days for every child and simplify this aspect of the CCS system.

Where a family does not have the option of accessing shorter sessions, the out-of-pocket costs for one or two long-day sessions is likely to be cost-prohibitive for very low-income families. As a result, we have seen a significant reduction in the number of families accessing the CCS24 component of the Safety Net. When the new CCS was introduced, only 25,350 low income families accessed the CCS24 Safety Net<sup>30</sup>, far from the projected 70,000.

Very low-income families are more likely to be in insecure or casual work and so were more affected by COVID job losses. Following the ECEC Relief Package (free care period) in 2020, we saw the number of CCS24 eligible children halve and that number continues to decline. Between July and December 2020, we saw the already-reduced number of CCS24-eligible children reduce by over 60%. These children were not eligible for the activity test exemption and, while some may be being supported by Additional Child Care Subsidies, we expect high unemployment and cost barriers have resulted in many exiting care, which means these vulnerable children are missing out on early learning.

#### *Two years of preschool*

Just 58% of 3 year old children are currently enrolled in a preschool program in Australia, with the overwhelming majority of these in long day care, compared to 91% of children in the year before school.<sup>31</sup> There is a wealth of international evidence that shows that two years of preschool or kindergarten has more impact<sup>32</sup> than the one year that Australian currently provides, as confirmed in the *Lifting our Game* Report<sup>33</sup>. Current Year 3 NAPLAN reading results in the Victoria and New South Wales are already 18 points higher than the other four states, amplified by lower rates of developmental vulnerability as measured by the AEDC.

Currently, varying models of kindergarten for three-year-old children are being rolled out with varying degrees of effectiveness in: Victoria (universal), New South Wales (community preschool settings only), Tasmania (vulnerable children) and the Australian Capital Territory (vulnerable children). As was the case before the

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<sup>29</sup> Melhuish. E, 29 September 2015, [‘The Guardian: Australia should follow the research and provide free universal childcare.’](#)

<sup>30</sup> DESE (2018), [Child Care in Australia report December quarter 2018.](#)

<sup>31</sup> Productivity Commission (2020) Report on Government Services tables 3A.18 & 3A.19.

<sup>32</sup> Mitchell Institute (2016), [‘Two years of preschool are better than one.’](#)

<sup>33</sup> Pascoe & Brennan (2017), [Lifting our Game.](#)

introduction of the National Partnership Agreement for Universal Access to Early Childhood Education, accessing a second year of preschool depends on where you live and your family's circumstance. Without a national leadership approach to rolling out two years of preschool, the education gap between the 'haves' in the larger states and the 'have nots' in the smaller states is set to widen.

Increasing the minimum CCS entitlement to 36 hours per week would significantly improve access to preschool programs for many children from low income families. Evidence is compelling that children from low income families are far more likely to benefit most from preschool but are the least likely to attend due to cost barriers.

**Recommendation 7:** Permanently continue provisions in the Minister's Rule (currently scheduled to expire at the end of January 2021) to allow providers to waive out of pocket costs (gap fees) for families when a centre is directed to close or when it is effectively closed to certain families (e.g. access is only for essential workers and vulnerable children).

In a country as vast and diverse as Australia, emergencies and natural disasters are the norm, rather than the exception. In 2020, the emergence of COVID-19 added 'pandemics' to the list of phenomena that have the potential to significantly disrupt families and communities. Each of these events have impacted early childhood services, with many services supporting children and families who have lost homes, jobs or who are dealing with serious health issues.

These emergencies and disasters have highlighted the need for services to be able to provide timely support and fee relief to affected children and families, which we were able to do simply and effectively under the previous child care subsidy system. As ACECQA stated following its COVID-19 and Natural Emergencies Scenario Planning Workshop, "In times of emergencies and periods of high uncertainty, the need for clear and authoritative advice is critical."

A key mechanism that has supported services directed to close during disasters or when families were prevented from sending children to early learning due to Stay at Home Directions was the ability to waive gap fees, so affected families were not out of pocket. This key measure enables CCS funding to continue to flow to services so they can pay staff – many of whom are also affected by the same disasters. The continued flow of CCS does not increase costs to Government but provides families and services with an invaluable level of certainty.

The current Minister's Rule to allow providers to waive gap fees when a service is directed to close ceases at the end of January 2021. We ask that this be embedded as a permanent provision and that it be extended to cover situations where a family is unable to send their child to early learning, either because they have restricted access (e.g. road closures following disasters, health vulnerabilities, etc) or because they are prevented from attending due to Government restrictions in future COVID hotspots.

**Recommendation 8:** Increase funding for children and families in early learning impacted by emergencies and natural disasters by providing fee relief for families through a new disaster category of ACCS Child Wellbeing or permit providers to submit ACCS Temporary Financial Hardship applications for affected families.

The ACCS Temporary Financial Hardship measure is government's key financial support mechanism for families experiencing temporary financial hardship. Eligible families receive financial support for the cost of their early childhood education and care for up to 13 weeks per hardship event.

Following the ECEC Relief Package (period of free care) in 2020, the Australian Government streamlined evidence requirements for ACCS Temporary Financial Hardship, which saw a significant increase in the number of families supported by this measure. These changes to streamline evidence requirements were effective in increasing uptake of this additional subsidy and should be permanently maintained to support families affected by future emergencies, disasters and in COVID hotspots. Further, Services Australia should routinely discuss ACCS Temporary Financial Hardship with families in hotspots or disaster-affected areas, e.g. in Community Recovery Hubs.

To provide more efficient and timely support to families in these locations, legislative amendments could enable providers to approve ACCS Temporary Financial Hardship or a new category of ACCS Child Wellbeing in declared disaster or hotspot locations.



**Recommendation 9: Commit funding for longer-term reform to Child Care Subsidy to:**

improve affordability by increasing the CCS subsidy rates, flattening the taper and removing the annual per child cap;

simplify access to early learning for children at risk of abuse or neglect by increasing the ACCS Certificate period to 13 weeks; and

support workforce participation for all parents and carers and ensure their children are supported to meaningfully participate in early learning by increasing funding for the Inclusion Support Program.

***Improve early learning affordability and reduce workforce disincentives – CCS rates, tapers and caps***

The current Child Care Subsidy (CCS) settings are hindering families from increasing their workforce participation and may be keeping children out of early learning. The combination of inadequate subsidy rates, particularly for very low-income families (CCS 85%), and lower subsidised hours for parents working part-time (CCS 36 hours), mean families cannot afford to enrol their child in additional days of early learning for the flexibility to accept additional shifts or days of work when they are offered.

Goodstart supports the proposal by the Grattan Institute<sup>34</sup> and KPMG<sup>35</sup> to increase the Child Care Subsidy rate by 10% at each income threshold (i.e. scaling from 95% for low income families to 30% for high income families, compared with the current spread of 85%-20%). Consistent with the recommendations made by the Grattan Institute and KPMG, we also support the removal of the annual cap of \$10,560 per year per child (see Recommendation 2, above) and a review of the CCS hourly fee caps (see Recommendation 3, above).

The Grattan Institute's modelling demonstrates that an additional investment of \$5 billion in the CCS would generate economic returns of \$11 billion annually. Similarly, KPMG estimates the GDP benefit arising from the extra days worked is around \$5.4 billion annually. This modelling is consistent with other studies that have highlighted the positive macroeconomic effects of supporting parents' workforce participation<sup>36</sup>.

***Simplify access to early learning for children at risk of abuse or neglect – ACCS Child Wellbeing***

When a provider considers a child is "at risk of serious abuse or neglect<sup>37</sup>," a service can immediately give an ACCS Child Wellbeing Certificate for up to 6 weeks in any 12 months period<sup>38</sup>. However, the current 6-week duration of Certificates is often insufficient for centre teams to establish trust and rapport with the family and meet the requirements for applying for an ACCS Determination, both in terms of gaining supporting evidence and gaining a family's consent to make the required referral to an appropriate support agency. These issues are often magnified as a result of a family's complexities, e.g. escaping domestic and family violence, trauma, socioeconomic disadvantage, low levels of educational attainment, etc. This process can be particularly complex for new families who need time to complete a CCS application or for Indigenous families where concerns can be raised about the possibility of child protection agencies being involved.

The risks associated with hastening this process of engagement and gaining agreement to make a referral is that some families disengage from the process – either by declining to proceed with an application to continue ACCS or even by withdrawing the child from early learning, which is counter to the policy objectives of the ACCS.

Australian Government data indicates that, in the 2018-19 financial year, nearly a half of all children exiting at 6 weeks had a subsequent ACCS event. Just over one-third had another ACCS Child Wellbeing event, which suggests that there were ongoing issues of vulnerability. Almost one in ten children disengaged from early learning altogether<sup>39</sup>.

<sup>34</sup> Grattan Institute (2020), '[Cheaper childcare: A practical plan to boost female workforce participation.](#)'

<sup>35</sup> KPMG (2020), '[The Child Care Subsidy: Options for increasing support for caregivers who want to work.](#)'

<sup>36</sup> PwC, (2019), '[A Smart Investment for a Smarter Australia: Economic analysis of universal early childhood education in the year before school in Australia.](#)'

<sup>37</sup> The circumstances in which a child is taken to be at risk of serious abuse or neglect are defined in the Child Care Subsidy Minister's Rules 2017 at section 9.

<sup>38</sup> FAAct section 85CB Certification for ACCS (child wellbeing), subsection (3).

<sup>39</sup> DESE, Policy Paper – Extending Length of Certificates, Additional Child Care Subsidy (child wellbeing).

Our data shows us that children supported by ACCS Child Wellbeing have multiple risk factors, such as coming from low-socio economic backgrounds or being of Aboriginal and Torres Strait Islander descent. We also know that 13% of children supported by ACCS Child Wellbeing do not progress beyond the Certificate to Determination and that these children exit at higher rates than non-vulnerable children.

Increasing the ACCS Certificate period from 6 weeks to 13 weeks would provide sufficient time to support new families through the CCS application process, meaningfully engage with vulnerable families, gain their agreement to make a referral and gather the evidence required to apply for a Determination.

*Support the workforce participation of all parents and carers – Inclusion Support Program*

The Inclusion Support Program (ISP) provides funding to cover the cost of the wages of an additional educator in the early learning room so that children with a disability or other inclusion support need are able to participate in early learning, to prevent cost disincentives to enrolling children with higher support needs, and to support their parents' workforce participation. When the program was revised in 2016, it met most of these objectives, however, the funding for an additional educator does not match the subsidised hours of a parent working three or more days a week and the rate of the subsidy has been losing value over time as it is not indexed.

The ISP funding cap (25 hours for an individual child) does not align with CCS eligibility of up to 50 hours per week. Even in a shared care arrangement (supporting two or more children) – which is not available for all children – funding is only provided for up to 40 hours per week. This limits the workforce participation of parents of children with a disability or other inclusion support need, who we know have lower workforce participation than other parents<sup>40</sup>.

Before the program was revised in 2016, the per hour subsidy rate was indexed annually by CPI, which meant the subsidy rate was not increasing at the same rate as award wages. Since 2016, no indexation has been applied to the hourly rate for the wages subsidy, even though award wages for early childhood educators have increased 3.25% per annum (on average) during the same period. For most providers, the compounding impact of the growth in wages is 10.1%. This means the subsidy has been losing value over time, which can result in cost disincentives for some providers to enrol children with inclusion support needs in a way that enables them to meaningfully participate in early learning.

To ensure the ISP continues to achieve its policy objective of supporting children with inclusion support needs to participate in early learning, the funding allocation to the ISP must be increased to match funding to the hours a child attends early learning and care (i.e. remove the 25 hours per child limit); provide a one-off 'catch-up' increase in wage subsidies to align with award wages; and index wage subsidies by a suitable wages index on an ongoing basis.

**If you would like any further information about the contents of this submission, please contact:**

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<sup>40</sup> Spencer, N (2014), ['Family Matters: Impacts of caring for a child with chronic health problems on parental work status and security'](#).