



EARLY LEARNING AND CARE
COUNCIL OF AUSTRALIA

Early Learning and Care Council of Australia

2021-22 Pre-Budget Submission to the Australian Treasury

January 2021

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

Overview

The Early Learning and Care Council of Australia (ELACCA) is pleased to make this submission, which urges the Australian Government to leverage the essential role of the early learning and care sector to drive economic recovery through the 2021-22 Budget.

As we enter 2021, families and children across Australia are in even greater need of affordable, accessible quality early learning and care to support workforce participation and children's learning and development. Through careful targeting of early learning and care funding, the Government has a unique opportunity to achieve a triple dividend: greater income for families; a bigger pool of labour for business; and an ongoing increase to GDP. This is in addition to the human capital development that flows from children engaging in high-quality early learning.

While public discussion of early learning and care in 2020 was dominated by the impacts of COVID-19, ELACCA has not lost sight of policy issues and investment priorities that will outlive the pandemic. Some of the pressing challenges include:

- Two-parent families constrained in their workforce participation by the negative interplay between Child Care Subsidy rates, other family support payments and the taxation system¹
- Early learning participation by children from single-parent families falling steeply²
- Children in low socioeconomic areas much less well-prepared for school³
- Families in different states and territories facing vastly different costs for early learning and care.⁴

Fortunately, solutions to these problems are readily available, including through utilising the current Child Care Subsidy and national consultations on preschool. The modest additional expenditure required would generate powerful – and intergenerational – benefits for individual children, their families and the Australian economy as a whole.⁵ For the 2021-22 Federal Budget, ELACCA urges the Government to take the first steps in enacting these solutions.

Summary of recommendations

Affordability

1. Increase the Child Care Subsidy (CCS) rate by 10% at each income threshold, bringing the maximum subsidy rate to 95% for low-income families and the minimum rate to 30%.
2. Abolish the CCS annual cap, which limits subsidy payments and disincentivises families with incomes above \$189,390.
3. Introduce a new 'disaster and emergency category' for CCS funding, to support families and young children and ensure the viability of early learning and care services.

¹ KPMG. (2020). [The Child Care Subsidy: Options for increasing support for caregivers who want to work.](#)

² Broadway, B. & Vera-Toscano, E. (2020). [Childcare a challenge for poorer single parents](#); Melbourne Institute. (2020). [The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 18.](#)

³ Australian Early Development Census. (2019). [2018 AEDC National Report.](#)

⁴ Productivity Commission. (2020). [Report on Government Services 2020.](#) Data tables 3A.23, 3A.24 and 3A.25.

⁵ Every dollar invested in early learning in the year before school generates a return of two dollars - see PwC Australia. (2019). [A Smart Investment for a Smart Australia](#); A long-running study in the United States (the Perry Preschool Project) has demonstrated the intergenerational effects of early learning for children experiencing disadvantage - see Heckman, J. and Karapakula, G. (2019). [Intergenerational and intragenerational externalities of the Perry Preschool Project.](#) National Bureau of Economic Research (US).

Workforce and Quality

4. Introduce nationally consistent registration for all early childhood teachers, to build professionalisation of the sector and facilitate ongoing professional development and workforce mobility across jurisdictions.
5. Assign funding for the implementation of the National Early Childhood Education and Care Workforce Strategy.

Equity

6. Amend the CCS activity test to guarantee all Aboriginal and Torres Strait Islander children 36 hours per week of subsidised early learning.
7. Extend the preschool exemption to two years before school and work with the sector to develop and release a rollout plan for a second year of preschool for all Australian children.
8. Introduce a medium-term (five-year) National Agreement on preschool funding.
9. Update the Inclusion Support Program, so that funding is calculated to include
 - (a) children's actual attendance at an early learning and care service; and
 - (b) award wage rates for educators.

Access

10. Provide all children with a base entitlement of 18 hours per week of subsidised early learning and care (across two days), regardless of their parents' engagement in work or study.
11. Improve and integrate the Child Care Finder website with ACECQA's Starting Blocks website, to achieve reduced duplication and greater transparency and equip parents with more consistent consumer information.

A. Affordability

Across their networks, the 16 members of ELACCA provide early learning and care to more than 220,000 children in more than 2,000 services across Australia. ELACCA members are acutely aware of the intersection between service quality, fees and accessibility for families. ELACCA members have a shared commitment to continually strengthening quality in their services, and to ensuring access for all children and families. This means making early learning and care affordable through a well-designed Child Care Subsidy (CCS).

Supporting working families

Recent analysis by KPMG has highlighted the unfortunate interplay between the CCS and the broader family payment and taxation systems.⁶ Currently, working families face a powerful disincentive to increase their workforce participation and the income of their second earner (often a mother, working part-time). Families across all income levels can lose 70% or more of their additional pay if the second earner chooses to work more (see Box 1)

Case study: A family earning \$79,000 with two children in long day care for three days per week.

One parent working full-time earns \$55,000 per year. The other parent works three days a week and earns \$24,000 per year.

The parent working part-time is offered an extra day.

The family would have just \$32 extra each week from the additional day of work. Their long day care fees will increase by around \$3,000 per year.

Box 1: Child Care Subsidy and workforce disincentives

Source: The Front Project (2020)⁷

⁶ KPMG. (2020). [The Child Care Subsidy: Options for increasing support for caregivers who want to work.](#)

⁷ The Front Project. (2020). [Fact Sheet: The Child Care Subsidy: Options for increasing support for caregivers who want to work.](#)

KPMG proposes a simple solution: increasing the CCS rate by 10% at each income threshold, bringing the maximum rate to 95% for low-income families and the minimum rate to 30%, with smoother tapering across income levels. Importantly, upgrading the CCS would have a triple dividend:

- Greater scope for families to earn
- A bigger pool of labour for businesses
- An ongoing increase to GDP.

KPMG has costed this change at around \$2.5 billion per annum, for an annual return of up to \$5.4 billion in increased GDP.

A parent’s choice to work more – and to build financial security for their family – is one that the Australian Government could proudly champion for families, in the interests of national economic stimulus.

Recommendation 1: Increase the Child Care Subsidy (CCS) rate by 10% at each income threshold, bringing the maximum subsidy rate to 95% for low-income families and the minimum rate to 30%.

Removing the CCS annual cap

As part of upgrading the CCS, the removal of the annual cap on CCS payments is an important measure for many Australian families. Currently, families earning more than \$189,390 per annum are limited to \$10,560 (per child) in CCS payments. The figure of \$189,390 per annum therefore looms as a hard barrier for many families: earn above this, and you may need to limit your children’s participation in early learning and care to avoid extra out-of-pocket costs.

Removing the CCS annual cap would further reduce the workforce disincentive for second income earners picking up additional days of work, thereby acting as an economic stimulus measure.

Recommendation 2: Abolish the CCS annual cap, which limits subsidy payments and disincentivises families with incomes above \$189,390.

Dealing with disasters

One of the lessons learned from nearly 18 months of bushfire, flood and pandemic in Australia is that standard public administrative practices are often a poor fit for emergency situations. ELACCA members, and the families that use their services, have faced significant difficulties in operating within the CCS system during local disasters and emergencies (see Table 1).

Table 1: The Child Care Subsidy in disaster and emergency situations

Circumstance caused by disaster/emergency	Impact
Parents	
Cannot reach their child’s early learning service	<ul style="list-style-type: none"> • Must pay fees even though no service is provided (early learning services may not waive gap fees). • May incur additional costs for alternative care at short notice. • May retain CCS by using ‘approved absences’ – but only if they have sufficient days remaining in their annual allocation.
Cannot work or study	<ul style="list-style-type: none"> • May not meet the work/study requirement of the CCS. • May lose eligibility for CCS. • May cancel enrolment
Early learning and care services	
Cannot operate for one or more days	<ul style="list-style-type: none"> • Must charge attendance fees, to receive CCS.

	<ul style="list-style-type: none"> • May face increased bad debts from non-payment of fees.
Parents cancel enrolments	<ul style="list-style-type: none"> • Must deal with lower income, affecting staffing and viability.

Parents affected by disaster or emergency face the prospect of paying fees for a service not supplied, because the legislation governing the CCS does not allow early learning and care services to waive fees. Simultaneously, parents who are unable to work may fall foul of the ‘activity test’, which requires a minimum number of hours of work or study to qualify for CCS payments. The twin threat of ongoing fees and uncertain subsidies is enough to push some disaster-affected families out of the early learning and care system, regardless of their children’s needs.

Early learning and care services affected by a disaster or emergency must prepare a written application for a Community Child Care Fund (CCCF) grant, which is administered by the Department of Employment, Skills and Education (DESE). On receipt of an application, DESE conducts an assessment, which includes ‘an overall consideration of value with money’ and may include ‘security, probity, compliance and financial investigations’.⁸ This system has proven to be slow and uncertain (when the opposite is required), and as evidenced during March–June 2020, not fit for purpose.

All of these negative impacts could be avoided through the introduction of a ‘disaster and emergency’ category for the Additional Child Care Subsidy (ACCS), to be activated by early learning and care services that experience threshold risks. Through the new ACCS category, families would be temporarily relieved of the fee burden, and services would receive their usual fortnightly income, ensuring their viability. This would be at no additional CCS cost to government. Providers would still incur a loss of income, so the CCCF grant would remain an important safety net for the sector.

Recommendation 3: Introduce a new ‘disaster and emergency category’ for CCS funding, to support families and young children and ensure the viability of early learning and care services.

B. Workforce and Quality

Professional recognition for all teachers

All governments in Australia have formally recognised ‘the important link between educators and quality early childhood education experiences’ and the consequent importance of ‘increasing the capability of the early childhood education workforce’.⁹

Research has demonstrated a very strong link between the quality of the early learning and care workforce and the experiences and outcomes for young children:

‘The most influential factors affecting quality, across age groups and service settings, are the education, qualifications and training of the workforce.’¹⁰

According to the latest official data (May 2020), only 81 per cent of early learning and care services in Australia meet the National Quality Standard (NQS). While this percentage improved rapidly in the period 2013-2017, it has almost plateaued since 2018.¹¹

ELACCA members have higher quality ratings than the national average and are committed to 95 per cent of their services attaining a quality rating of *Meeting the NQS* or higher in the short term. High quality outcomes for children are delivered by a skilled and stable workforce. For this reason, ELACCA is participating actively in the ACECQA National Workforce Strategy consultation, demonstrating our

⁸ Department of Employment, Skills and Education (Australia). (2020). [Community Child Care Fund Special Circumstances Grant Opportunity Guidelines](#).

⁹ Education Council. (2019). Op. cit. p. 8.

¹⁰ Pascoe, S & Brennan, D. (2017). [Lifting our Game](#), pp. 62-63.

¹¹ Australian Children’s Education and Care Quality Authority (ACECQA). (2020a). [NQF Snapshot Q2 2020](#).

commitment to work in collaboration with government to enhance workforce development and professionalisation, and to deliver exceptional outcomes for children.

One of the keys to strengthening the early childhood educator workforce is to attract and retain more Bachelor-qualified early childhood teachers (ECTs). An explicit goal of the National Quality Framework for early learning and care has been to increase the number of ECTs working with children, including in long day care settings, because ‘improved educator to child ratios and educator qualifications both contribute to higher quality education and care’¹².

In a recent review, the Australian Institute for Teaching and School Leadership (AITSL) identified the underdeveloped status of ECTs as a problem:

‘The current situation in some jurisdictions - where early childhood teachers who are not employed in school settings are not required to be registered - risks devaluing the work of teachers in these services.’¹³

An interrelated set of factors – public recognition, professional respect, morale, comparative pay and conditions – is contributing to a growing shortfall of ECTs in the early learning and care sector. Most graduates of initial teacher education (early childhood) degrees take up jobs in schools.¹⁴ One step in addressing this problem is to implement AITSL’s recommendation that all qualified ECTs be formally registered alongside other teachers, regardless of whether they work in school settings, preschools or long day care services.

Recommendation 4: Introduce nationally consistent registration for all early childhood teachers, to build professionalisation of the sector and facilitate ongoing professional development and workforce mobility across jurisdictions.

National Early Childhood Education and Care Workforce Strategy

ELACCA welcomes the commitment by Education Ministers to develop a new children’s education and care national workforce strategy to support the recruitment, retention, sustainability and quality of the early childhood services workforce. A national plan is a fundamental strategy to lifting quality.

The *Lifting our Game* report identified building workforce capability as a key initiative in improving the quality of early learning¹⁵. 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.

A national workforce strategy is needed to:

- Ensure an adequate supply of suitably qualified teachers and educators to deliver early childhood education, particularly in rural and remote areas;
- Provide the wrap around professional support and development to allow them to flourish in early childhood settings;
- Ensure there is a pipeline of future teachers in place for a national roll-out of three year old programs; and
- Build a continuous learning culture to underpin quality improvement in programming and pedagogy in early childhood education.

Individual state efforts to address workforce development, while identifying the right targets, do not have sufficient resourcing or fire power to address the challenges that the sector faces, which is why a national approach is essential. Therefore, we recommend the Australian Government commits funding to the implementation of a national workforce strategy for early childhood education.

¹² ACECQA. (2020b). [NQF Annual Performance Report](#), p. 40.

¹³ Australian Institute for Teaching and Educational Leadership (AITSL). (2018). [One Teaching Profession: Teacher Registration in Australia](#).

¹⁴ ACECQA. (2020b). Op. cit. p. 44.

¹⁵ Lifting our Game (2017), <https://earlychildhood.qld.gov.au/about-us/publications-and-research/lifting-our-game>.

Recommendation 5: Assign funding for the implementation of the National Early Childhood Education and Care Workforce Strategy.

C. Equity

A learning guarantee for all Aboriginal and Torres Strait Islander children

Aboriginal and Torres Strait Islander children are twice as likely as their non-Indigenous peers to be developmentally vulnerable when they start school.¹⁶ In the new National Agreement on Closing the Gap, all governments in Australia have committed to tackling this problem, principally through ensuring that ‘Aboriginal and Torres Strait Islander children are engaged in high quality, culturally appropriate early childhood education in their early years’.¹⁷

There is an urgent need to lift the participation of Aboriginal and Torres Strait Islander children in high-quality early learning, particularly in remote parts of the country. In a recent inquiry, the House of Representatives Standing Committee on Employment, Education and Training highlighted the educational divide between metropolitan and remote Australia, and made significant recommendations on early learning.¹⁸ In its report *Education in Remote and Complex Environments*, the committee urged the government to ‘provide up to 30 hours per week of subsidised early education and care for Aboriginal and Torres Strait Islander children’, regardless of their parents’ engagement in work or study.

ELACCA supports the committee’s recommendation of amending the activity test for Aboriginal and Torres Strait Islander families, although we note that 30 hours per week is only a good ‘fit’ for six-hour sessions of early learning (eg, supporting attendance for five days per week at a short preschool program). To meet the needs of all Aboriginal and Torres Strait Islander families, in all locations, we recommend an early learning guarantee of 36 hours per week, which could also be applied to long day care sessions (which are typically available for 10-12 hours each day), enabling attendance for three days per week.

Recommendation 6: Amend the CCS activity test to guarantee all Aboriginal and Torres Strait Islander children 36 hours per week of subsidised early learning.

Preschool equity

Preschool matters because of its long-term social and educational benefits for children, and particularly for children experiencing vulnerability and disadvantage.¹⁹ We also know that every dollar invested in preschool returns two dollars to Australia, through educational achievement, workforce participation and taxation revenue.²⁰ Two years of a quality preschool program is even better than one year.²¹ For children facing disadvantage, establishing solid participation patterns earlier (at three years old) can improve participation at age four.

The Alice Springs (Mparntwe) Declaration, signed by every Education Minister in Australia in late 2019, makes the case very clearly:

¹⁶ Australian Early Development Census. (2019). [2018 AEDC National Report](#).

¹⁷ COAG and the Coalition of Aboriginal and Torres Strait Islander Peak Organisations. (2020). [National Agreement on Closing the Gap](#).

¹⁸ Standing Committee on Employment, Education and Training. (2020). [Education in remote and complex environments](#).

¹⁹ In this document, the term ‘preschool’ means a program of play-based early learning delivered by a qualified early childhood teacher. This is different to other forms of early learning and care, which may not use early childhood teachers. In some states, preschool is referred to as ‘kindergarten’ – this document uses just one term, for the sake of simplicity.

²⁰ PwC Australia. (2019). [A Smart Investment for a Smart Australia](#).

²¹ Mitchell Institute (2016) “Two years of preschool are better than one” <http://www.mitchellinstitute.org.au/reports/two-years-preschool/>

‘Education has the power to transform lives [...] This begins with making sure that every young child has the opportunity to benefit from structured play-based learning before they start school, because this helps build the social, emotional and cognitive skills they need to succeed in the years to come.’²²

Currently, access to affordable preschool in Australia, and access to a second year of preschool, depends principally on location. State and territory variations in preschool provision across Australia are already pronounced, and will only increase from 2021, when some jurisdictions introduce permanent and/or temporary measures to support three-year old preschool and to waive, or heavily subsidise, fees (see Box 2).

Consider a cohort of three-year-old children, all born on the same day (1 January 2018), living in different states and territories of Australia. ²³			
Charlotte <i>Beechworth, VIC</i>	Noah <i>Bondi, NSW</i>	Mia <i>Caboolture, QLD</i>	Jack <i>Launceston, TAS</i>
Eligible for free or very low-cost preschool for 15 hours per week, 40 weeks of the year. Available at standalone kindergartens and long day care centres.	Eligible for free preschool for 15 hours per week, 40 weeks of the year. Available only at community preschools and mobile preschools (not at long day care centres).	Not eligible to attend a preschool program.	Not eligible to attend a preschool program.

Box 2: Preschool affordability and access in 2021: three-year-olds

The disparities in preschool access do not disappear when children turn four. In the year before fulltime schooling (the standard preschool/kindergarten year), children continue to receive different levels of funding support for early learning, based on (a) their state or territory of residence and (b) the ownership structure of the early learning service that they attend (government-owned, community-owned or privately-owned). In the words of a recent official review, ‘Most parents can access a preschool provider that meets their needs, but funding may not align with their preferences’.²⁴

These place-based and ownership-based disparities in preschool access can only be addressed by a national authority. Ensuring a minimum of two days of low-cost or free preschool for every child is the only way for Australia to realise its economic goals. The Australian Government can take the first steps now, by extending the CCS activity test ‘preschool exemption’ to two years before school and by working with the early learning sector to develop and release a rollout plan for a second year of preschool for all Australian children.

Recommendation 7: Extend the preschool exemption to two years before school and work with the sector to develop and release a rollout plan for a second year of preschool for all Australian children.

National Agreement for preschool

Alongside the rollout plan for a second year of preschool, it is imperative that the government negotiate a new National Agreement with the states and territories, to ensure equitable preschool funding for every child, in both quality long day care services and stand-alone preschools/kindergartens.

The formal review of the National Partnership Agreement on Universal Access to Early Childhood Education (NPA), commissioned by the Council of Australian Governments’ Education Council, found that ad hoc annual renewals of the NPA were a barrier to quality preschool provision. The review

²² Education Council. (2019). *Alice Springs (Mparntwe) Education Declaration*, p.2.

²³ For the purposes of this comparison, none of these four children has been identified by government as experiencing vulnerability or disadvantage.

²⁴ Nous Group. (2020). [UANP Review: Final Review Report](#), p. 60.

recommended that a National Agreement allocate funding across the forward estimates (for five years), to provide long-term, sustainable preschool funding.²⁵

Recommendation 8: Introduce a medium-term (five-year) National Agreement on preschool funding.

Improving support for children with a disability

Across Australia, children with a disability are not accessing preschool programs in the year before school at the same rate as their peers.²⁶

The Australian Government's Inclusion Support Programme (ISP) builds the capacity and capability of early learning services to fully include children with disability. In 2020, the government broadened access to the ISP – a welcome decision, which means that children with particularly challenging behaviours (including those suffering trauma) are now eligible for support.

Some further changes to the ISP are required, to ensure that the program meets the actual needs of children and families:

- a) Matching ISP funding to attendance: ISP funding is currently capped at 25 hours per week (or 40 hours per week, if two or more children share the support measures). Where a child attends an early learning and care service for more than 25 hours per week, this means that additional support staff are not fully funded.
- b) Raise educator wage subsidies to the minimum award rate and introduce indexation: Wage subsidies for educators funded by the ISP are below the current award rate. This requires amendment, so that wage rates under the ISP are always in line with the award.

Recommendation 9: Update the Inclusion Support Program, so that funding is calculated to include (a) children's actual attendance at an early learning and care service; and (b) award wage rates for educators.

D. Access

Removing barriers based on parents' circumstances

Not all children in Australia have access to the Child Care Subsidy. Currently, children in two-parent families have no access to any subsidised early learning if one parent is not working or studying²⁷ - unless the family has a very low income (under \$67,000 per annum) or they are attending preschool in the year before school. In short, many children are missing out.

While there is a 'safety net' entitlement to CCS for low-income families, it is capped at 12 hours per week – which is just one standard day in a long day care centre.

All Australian children should have access to at least two days (a minimum of 18 hours) of affordable early learning per week, regardless of their parents' circumstances. This minimum entitlement is based on well-established research.²⁸

Providing a higher base entitlement for all children would also generate significant savings offsets for the government, through reducing the heavy administrative burden associated with the activity test and the preschool exemption.

Recommendation 10: Provide all children with a base entitlement of 18 hours per week of subsidised early learning and care (across two days), regardless of their parents' engagement in work or study.

²⁵ Nous Group. (2020). [UANP Review: Final Review Report](#).

²⁶ Productivity Commission. (2020). [Report on Government Services 2020](#), p. 3.13.

²⁷ The 'activity test' predicates access to the CCS on the second parent's engagement in a minimum number of hours every week of approved activity, which includes work, study and forms of volunteering.

²⁸ Mitchell Institute. (2016). [Quality Early Education for All](#); Australian Institute of Family Studies. (2016). [A Critical Review of Early Childhood Literature](#).

Better consumer information

In making decisions about early learning and care, the parents of young children need to be well-informed consumers. Transparency and clarity on fees, quality, vacancies and service type are essential for parents to decide which is the best service for their child.

The number of commercial and government 'childcare finder' websites has been growing, with the addition of sites such as Toddle, Child Care Finder, Australian Child Care Index and local council websites. There are more proposed websites in the pipeline, too, such as one under development by Services NSW. Terminology across these websites is often inconsistent, creating unnecessary confusion for parents in an already hard-to-navigate and complex sector. For example, parents are often unaware that many long day services provide an approved preschool/kindergarten program.

The government's Child Care Finder website (<https://www.childcarefinder.gov.au/>) is designed to provide reliable consumer information, but it requires additional features and integration with the ACECQA Starting Blocks site (<https://www.startingblocks.gov.au/find-child-care/>). For example, a smarter user interface would generate more relevant data for each website visitor. This would provide at-a-glance comparative information on:

- The relevant fee for your child (age-specific) at all early learning services in selected locations
- The National Quality Standard rating for each service in that location
- The vacancies at each service in that location
- The type of early learning services and educational program delivered.

While this data is available through the website, it is difficult and time-consuming to find and collate. Visitors to the website must currently click through to each service listed in a given geographical location, scroll to find the fees relevant to their child's age group, and manually record and compare the fees and the NQS ratings.

This upgrade to the website and integration with ACECQA Starting Blocks could be carried out at very low cost and reduce duplication of government services, with the potential for significant benefits to families.

Recommendation 11: Improve and integrate the Child Care Finder website with ACECQA Starting Blocks website, to achieve reduced duplication and greater transparency and equip parents with more consistent consumer information.

About ELACCA

The Early Learning and Care Council of Australia (ELACCA) was incorporated in 2014 to promote the value of quality early learning and care as an integral part of Australia's education system. Our 16 CEO members include some of the largest early learning providers in the country from all parts of the sector, including long day care (for-profit and not-for-profit providers) and community preschool/kindergartens. ELACCA represents a significant percent of the not-for-profit and for-profit providers operating over 2,000 services across Australia for more than 220,000 children.

As well as promoting the value of quality early learning and the need for greater public investment, we advocate for the right of all children to access quality early learning and care, particularly children facing disadvantage. We do this by drawing on the broad knowledge and practical experience of our members and representing their views and issues to decision makers in government, the media and the public.

More information about ELACCA is available at: www.elacca.org.au