

Ms Jeanette Radcliffe
Secretary
Senate Community Affairs Legislation
Parliament House
CANBERRA ACT 2600

3 March 2017

Dear Ms Radcliffe

Submission on the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform Bill) 2017

Australian Community Children's Services (ACCS) is the peak body representing Australia's not-for-profit community children's services and those who support the right of children to access these services. ACCS has branches in each state and territory throughout Australia.

ACCS is committed to:

- children, families and communities;
- children's entitlements for the best care, education and health services;
- community ownership;
- connected services for children, families and local communities;
- cost effective services - not for profit; and
- cultural diversity and respect for Aboriginal and Torres Strait Islander people as custodians of the land.

ACCS calls on the Senate to reject the Omnibus Bill to protect the interests of the tens of thousands of families and children using community owned and not-for-profit children's services.

Recommendation 1: As the childcare package pays for itself, it should be considered on its own merits and split from the other savings measures. ACCS does not support increased subsidies coming at the expense of cuts to Paid Parental Leave and other cuts which will impact on vulnerable children and families.

Recommendation 2: Early learning and workforce participation should be joint objectives of the reform; specifically the legislation should be amended to provide all children with consistent access to quality early learning for two full days per week, up to 18-24 hours per week.

ACCS understands that other early childhood advocates have supported a compromise position that would increase the base entitlement from the proposed 12 hrs per week to a minimum of 15 hours per week.

ACCS does not agree with this compromise and urges the Senate to be guided by research evidence on the minimum amount of subsidised early childhood education and care necessary to benefit Australia's children – two full days¹.

Recommendation 3: Children from Aboriginal and Torres Strait Islander families, who are twice as likely as non-Indigenous children to start school developmentally vulnerable, should have access to at least 22.5 hours a week of early learning. A specialised Aboriginal and Torres Strait Islander program should be established to address gaps in access and participation for Aboriginal and Torres Strait Islander children and families in recognition that these children are at double the risk of starting school behind their peers and there is a gap of 15,000 places we need to create to increase participation and reduce disadvantage. This strategy must ensure the long-term viability of Aboriginal and Torres Strait Islander services that will not be sustainable on Child Care Subsidy revenue alone. It also needs to provide additional investment into new Aboriginal and Torres Strait Islander services in locations where high numbers of Aboriginal and Torres Strait Islander children are not currently engaged in the ECEC system. This funding allocation could be within or alongside the Community Child Care Fund.

Recommendation 4: The activity test needs to be flexible enough to accommodate the needs of families, particularly those with irregular or casual working hours or who are seeking to return to work.

Recommendation 5: Families have waited long enough for relief and the Package should take effect as promised no later than 1 July 2018.

We submit for the Committee's consideration a copy of the submission that ACCS provided to the September 2016 Senate inquiry. This submission expands on the arguments in favour of the above propositions (see attachment).

Since the September 2016 Inquiry, the cost of child care assistance and the Package have been significantly revised downwards. It is worth noting that the cost of the Package over the forward estimates (\$1.6 billion) has already been fully recouped by government via:

- the savings the Government achieved in the Family Day Care compliance measures enacted in September 2015² and September 2016³ (at least \$1.5 billion over the forward estimates);
- the savings the Government has achieved in reduced forward estimates for child care assistance in the 2016 MYFEO statement (\$7.6 billion over the forward estimates).

¹ <http://www.earlychildhoodaustralia.org.au/wp-content/uploads/2014/01/Evidence-Brief-on-2-days-care.pdf> accessed 3.3.17

² Ministerial media statement 8/9/2015 <http://www.formerministers.dss.gov.au/15741/changes-to-end-child-swapping-in-family-day-care/> Costings provided in MYFEO December 2015

³ Ministerial media statement 11/9/2016 <https://ministers.education.gov.au/birmingham/turnbull-government-boost-powers-child-care-compliance-cops>

- the savings the Government has already achieved in cuts to Family Tax Benefit Part A supplements for families earning more than \$80,000 passed by the Parliament in September 2016 (\$1.6 billion over the forward estimates).⁴

Modelling by PwC Australia released in February 2016 found that the Package's impact on workforce participation would see increased tax payments and reduced welfare payments recoup 90% of the cost of increased child care assistance within three years, and deliver a net fiscal gain to the Government within five years.⁵

We contend that this reform has been fully paid for, by legislated savings, at least twice since it was announced. The reform should therefore proceed forthwith with the modest modifications we have recommended to enhance child development outcomes.

As the OECD recommended in its 2016 "Going for Growth" report on Australia:

*"Improving all levels of education will be crucial to boosting the long-term productive and innovative capacity of the economy. Reform should be geared towards increasing the supply and quality of early childhood education as well as towards improving outcomes at the primary and secondary levels."*⁶

The OECD previously recommended in 2014:

*"In the case of Australia, expanding early childhood education service may put pressure on the fiscal balance, at least in the short run. However, it contributes to narrowing income inequality by enabling a more equal formation of human capital at early age and by facilitating full-time participation by women."*⁷

This is a reform Australia needs as it provides considerable long term economic and social policy benefits. Families have been waiting a long time for relief. It is time for the Parliament to get on with it.

Yours sincerely



Prue Warrilow
National Convenor, ACCS

⁴ Budget Savings (Omnibus) Bill 2016

⁵ PwC 2016 Economic Impacts of the Proposed Childcare Subsidy
<https://www.goodstart.org.au/Goodstart/media/MediaCentre/PwC-final-report.pdf>

⁶ <http://www.oecd.org/eco/growth/going-for-growth-2016-australia.htm>

⁷ <http://www.oecd.org/australia/going-for-growth-2014-australia.htm>

Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016

Submission to the Senate Education and Employment Legislation Committee inquiry into the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016, and the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016

By email: eec.sen@aph.gov.au
22 September 2016

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ACCS is committed to:

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- community ownership;
- connected services for children, families and local communities;
- cost effective services - not for profit; and
- cultural diversity and respect for Aboriginal and Torres Strait Islander people as custodians of the land.

ACCS calls on the Senate to vote against the Jobs for Families Child Care Package legislation in its current form. The Bill needs significant amendments to protect the interests of the tens of thousands of families and children using community owned and not-for-profit children's services.

Children's best interests must be the first principle and underpinning rationale for all deliberations, recommendations to the Australian Government and government policies.

The focus of government support must be on the rights of the child to access high quality education and care. ACCS urges Senators to recommend redrafting of the legislation to ensure:

- We achieve a less complex system of funding education and care in Australia
- all children have subsidised access to **education** and care, up to 2 full days per week, regardless of whether their family meets any activity test
- there are no barriers to participation in education and care for children and families experiencing vulnerability and disadvantage.

Child Care Subsidy

The proposal to streamline Child Care Benefit and Child Care Rebate into one single subsidy paid directly to services is sensible and welcome. ACCS believes that the provision of this subsidy is an important and effective workforce participation strategy and it is also important to acknowledge the role it plays in early (and middle) childhood education.

Activity Test - Removal of universal access to two days per week of subsidised education and care

Currently all children can access two full days per week (up to 24 hours) of subsidised education and care regardless of whether their family meets an activity test. The proposed changes remove this universal access to education and care and take Australia backwards in the early (and middle) childhood policy arena.

- Families with an income over \$65,710 where one parent does not meet an activity test will no longer receive any subsidy.
- Families with an income of less than \$65,710 will have their access cut in half from 2 days (around 18-24 hours) per week to one full day or two half days (12 hours) per week.

This will mean some children will be excluded from early learning environments before they start school and children experiencing vulnerability could have their access halved. This is despite evidence that:

- the period from birth to 3 years is the most significant for brain development and lays down lifelong foundations for children's wellbeing, learning and development across all domains
- all children benefit from quality early learning environments
- participation in quality early learning environments is a significant protective factor for at risk children and children from vulnerable backgrounds
- universal provision of education and care is by far the most effective way to ensure participation of children experiencing vulnerability
- investment in early education also provides long term economic benefits not just for families but for communities and nations.

The impact of these change on the wellbeing of many children and their learning and developmental outcomes must not be ignored. It is of great concern that a 'No Change' option for this was not presented as part of the June 2015 Child Care Assistance Package Regulation Impact Statement, and that the impact of these changes has not been fully investigated or costed by the government.

Currently long day care services usually offer families a daily booking, with children able to attend any hours that suit the family within the opening hours of the centre. This booking and charging structure allows the service to provide maximum flexibility for all families and ensures that operating costs are covered to enable the service to open for extended hours.

It has been suggested that children could still attend services on two days per week if services adjust their booking practices and charge for two 6 hour sessions instead of whole days. This is not likely to happen as services still have to cover the same operational costs and will need to continue to charge a full day rate to remain viable. Families who are only eligible for 12 hours of subsidy per week will either not attend services because they are unaffordable or they will reduce their bookings to one day per week, which is clearly not in the best interests of the child and family.

If services were to change their booking practice to allow for 6 hour sessions, they may need to increase fees significantly to cover their budget shortfall. This would make child care less affordable for all families, exclude those who could not afford the increase completely and potentially lead to closures for services in some areas. It would create a two tier system that stigmatises low income families and does not allow them the same level of flexibility and family support that other families can access.

Recommendation:

Provide all families with access to 2 full days (up to 18- 24 hours per week) subsidy regardless of whether they meet an activity test.

Activity Test – Stepped Approach

ACCS believes the three step activity test in this legislation is problematic. It will add complexity for families, services and government – the exact opposite of what the government intended when children's services funding was referred to the Productivity Commission in 2013.

This stepped approach will make it very challenging for families whose activity varies from week to week. It is essential that casual employees and people who juggle a mix of part time and other work are able to maintain their child care bookings and that their subsidy does not vary from week to week.

Recommendations:

- Simplify the stepped activity test. Provide all families with access to 4 full days (up to 48 hours) subsidy per fortnight and provide families that are engaged in more than 16 'hours of activity' with access to a maximum of 100 hours of subsidy per fortnight. The reality is families only use the child care they need; the 3 step activity test just adds unnecessary complexity.
- If the government progresses the 3 step activity test
 - Set Step 1 minimum hours at up to 4 full days (or 48 hours) per fortnight
 - For families with variable hours of work, base hours of activity on number of hours **available** for work and approve for blocks of 6 months (with provision for an increase in eligible hours to be approved upon request of the family during this period)

Aboriginal and Torres Strait Islander Services

The measures proposed in the package under the Child Care Safety Net, in particular the Community Child Care Fund do not adequately mediate the challenges Aboriginal and Torres Strait Islander early childhood services will face under the package because:

- the Community Child Care Fund is grossly inadequate to meet the needs of the most vulnerable, making up under 1% of the \$10.5 billion investment in the mainstream child care subsidy
- Aboriginal and Torres Strait Islander community services will struggle to compete with strongly resourced mainstream providers in the competitive grants process for the Community Child Care Fund
- Community Child Care Fund grants seek short-term sustainability and fail to recognize the entrenched poverty, long-term unemployment and disadvantage that make sustainability without additional government funding impossible in many communities.

Recommendation:

Provision of on-going funding for Budget Based Funded services and further investment in Aboriginal and Torres Strait Islander services to enable flexible service provision to the most disadvantaged children within their communities

There are a number of savings Government could consider to support increasing the maximum hours of subsidised care a child can receive from 12 hours per week to up to 18-24 hours per week (as is currently available) if their parents do not meet the work activity test including:

- reducing the subsidy high income families receive from the current proposed \$9,500 per annum to \$9,000 per annum or
- increasing the tapering rate at the top end so a greater proportion of high income earning families receive less Child Care Subsidy

The Minister for Social Services, the Hon. Christian Porter MP, has recently flagged significant changes to the welfare system in Australia that include strategic measures to reduce the likelihood of young parents becoming welfare dependent. ACCS would also like to draw Senators' attention to the fact that these very same young parents that Minister Porter talks about are amongst those most likely to be disadvantaged by the reductions to the minimum subsidized hours and the tightened activity test measures being proposed in this Bill. The best way to deal with inequality and address the cycle of disadvantage is the provision of subsidized means tested universal access of at least 2 full days to quality early childhood education and care for all families and ensure simple access to increased hours to support workforce participation.

Please contact Prue Warrilow, National Convenor on ph: 02 9261 1855 or mob: 0408 020 904. Further details of our proposals and other concerns about this Bill, including research evidence, is available at:

<http://ausccs.org.au/wp-content/uploads/2016/04/20160129-Sub.pdf>