

## **SUBMISSION TO SENATE SELECT COMMITTEE ON AUSTRALIAN GOVERNMENT RESPONSE TO COVID-19 PANDEMIC**

28 May 2020

via email to [covid.sen@aph.gov.au](mailto:covid.sen@aph.gov.au)

Australian Community Children's Services is pleased to present the following submission to the Senate Select Committee to inquire into the Australian Government's response to the COVID-19 pandemic and related matters.

Yours faithfully



Prue Warrilow  
**National Convenor**

### **The Strength of the Community Early Childhood Sector to Survive a Crisis**

As the national peak body representing not for profit education and care services Australian Community Children's Services has consulted members through our state and territory branches to gather information on their experiences of the pandemic and the impact of the Australian Government's support packages on their ability to educate and care for children in their community.

Australian Community Children's Services is pleased to report that the social capital intrinsic to community owned and operated services has served the early childhood education and care (ECEC) sector well during this time of crisis. Unlike commercial enterprises in which parents are viewed as customers and educators as a workforce commodity, community ECEC services operate as mutually respectful partnerships between the moral owners of the service – children, families and the broader community – and those who deliver the service.

Australian Community Children's Services members report that the very high levels of stress caused by the sudden impact of COVID-19 on families, managers and educators have been eased by goodwill and the collegiate effort to maintain continuity of care and education for the children and support for their families.

Directors of community ECEC services are working actively to support the morale of families and educators and to ensure that people feel safe.

Committees of management and senior staff teams are supporting their Directors to do the additional work to ensure maintenance of high quality education and care.

As a result Directors report that staff are remaining calm and continuing to deliver high quality education and care. After an initial period of stress families are starting to relax and are happy to return to their ECEC service.

Most importantly, Directors report that the children are coping well.

Communities are showing support for their ECEC services with donations and fund raising, and some centres are reaching out to support their broader community such as through singing through the fence for elderly people in their community.

Our members report that high levels of compliance with health and hygiene standards in the National Quality Framework is standing the community ECEC sector in good stead to protect people who are healthy. [Research](#) by Australian Community Children's Services and [ACECQA](#) shows a particularly high level of compliance in the non profit sector. These standards require excellent hygiene practices, robust exclusion policies and confidence to break the chain of infection. As a result, unlike schools and other service sectors, ECEC sector did not need the government to set new requirements in response to the COVID-19 pandemic.

## **Strengths of the Government Support Package for ECEC**

Business Continuity Payment and free child care for families has led to a reversal of the initial drop in bookings that was damaging to the viability of services.

In some cases Job Keeper payment has enabled services to remain open and staff teams to be retained.

## **State and Territory Variations**

The experience of the ECEC sector varies across jurisdictions.

In Victoria, generally the community owned ECEC sector is travelling well although uncertainty about eligibility of local government run services for Australian government support was problematic.

Some services in ACT are considering closing.

In NSW:

- small services of 25-30 places are struggling as they do not have a non-teaching Director with capacity for strategic business planning
- large charities providing community ECEC are unable to cross-subsidise the operational costs of ECEC and so were waiting on government support
- free child care has resulted in large numbers of families withdrawing their children from high fee preschools and requesting long day care places
- services are capping places and so are unable to meet demand

In WA the decline in enrolments has been minimised by the secure position of the state's management of COVID-19. There has however been much inequity in funding through the ECEC relief package, services are struggling to meet demand on the finances they are receiving and are therefore capping numbers to hopefully remain viable which is restricting the community's access to ECEC.

## **Challenges Experienced by Community ECEC Services**

Initially community ECEC services faced significant viability problems when social distancing rules resulted in families withdrawing their children. Non-profit services tend to operate on a cash basis and rarely set aside significant financial reserves to tide them over an extended period of low utilisation.

Directors were stressed by standing down staff and seeing families withdraw their children. Many worked unpaid overtime to interpret many and changing government announcements and continually revising operations to ensure financial viability.

### **Business Continuity Package**

- For some services the reference fortnight for the amount of CCS to be paid during the pandemic is financially the worst period for the year
- Providing less than usual CCS funding without families paying fees limits the capacity to fill all places

### **Free care for families**

- Creates increased demand but without additional income which creates a financial strain on the service
- Is a vital support for families experiencing loss of income or other vulnerabilities, however has resulted in some services becoming non-viable
- Some services are placing a cap on numbers in rooms and are unable to take on new families or increase days for families requesting additional days

### **JobKeeper payment**

- In many services staff see it as inequitable and unfair for people to be paid the same for working different hours
- Payment in arrears is a big problem for cashflow

### **Impact on Educators**

- Educators experienced an increased workload from extra hygiene procedures and families needing extra emotional support due to job losses and other impacts of Covid-19
- During periods when the Director is unsure of the status of the service in regard to the impact of the pandemic and the government support on offer, it creates low morale, deflation and loss of passion

- Problematic work-life balance; educators are torn between their work and their own families
- Fearful of bringing the virus into the centre or taking it home to their family

### **Workforce availability**

Australian Community Children's Services is very concerned about the impacts the COVID-19 crisis has had and will continue to have for some time into the future, on the education and care workforce.

Our concerns include:

- The loss of the casual workforce that has been relied on heavily:
  - in Long Day Care to cover breaks, programming time and leave; and
  - in Outside School Hours Care as a high percentage of the entire workforce
- Casual employees in many services have now found other casual work and may not return to the education and care sector.
- The impact of the delay of student placements from the first half of the year due to the pandemic will cause an increase in the number of students requiring deferred practicum placements; as a result:
  - trainee teachers who work in Outside School Hours Care and require time for their placements outside of the service may leave services with few experienced Outside School Hours Care educators as increased numbers of staff are out on practicums. One solution could be for universities to allow student teachers to complete a practicum in an Outside School Hours Care service.
  - ECEC services will be under additional pressure to take all the increased number of students requiring deferred practicum placements including student teachers as well as Diploma and Certificate III students.

We are concerned that the supply of new workers may be delayed; however we do not want to compromise the quality of their career preparation by reducing practicum requirements.

### **Future uncertainty**

- As social distancing restrictions are eased it will not be possible for the ECEC sector to return immediately to business as usual; for example some educators on JobKeeper will continue to self-isolate if they have vulnerability to serious disease from COVID-19
- Participation by parents in work is changing with working from home and fragmentation of work – it is unknown how people will relate to an external workplace once restrictions are eased
- There may be demand for long day care and vacation care for parts of the day only
- There may be a decrease in demand for before school care
- Reintroduction of parent fees may result in decreases in enrolments if families are still experiencing significant reduction of income

- Applying the activity test to family eligibility for support with fees will almost certainly result in many children having reduced access to early education
- The Outside School Hours Care support package is based on utilisation in before and after school care in February; vacation care needs will differ from this substantially

## Recommendations

The following recommendations are made by ACCS and we have also endorsed those developed in collaboration led by Early Childhood Australia (attached); these are consistent with the following high level recommendations.

1. Protect the best interests of children by ensuring access to quality ECEC for families by strategies such as introducing a base entitlement to two full days per week (20 hours) of subsidy regardless of parent activities or increasing the rate of Child Care Subsidy to 85-95% of fees charged to support families under financial stress.
2. Government policy to recognise that ECEC services cannot 'snap back' to business as usual
3. Implement a Transitional funding arrangement over 6 to 9 months in order to continue to enable access to ECEC for families experiencing a loss in income; strategies to achieve this could include:
  - staggering the adjustment of government funding over this time
  - staggering the adjustment of Additional Child Care Subsidy over this time
  - extending the time period for current Additional Child Care Subsidy wellbeing payments
4. Recognise that attendance levels under the fee-free arrangement are not an adequate basis to anticipate future usage – reintroduction of family fees will see a drop in utilisation by families who cannot afford the fee
5. Support ECEC workforce by ensuring that JobKeeper wage subsidies remain available to the sector until the end of September 2020

# Consensus Paper on Adjusting the Child Care Subsidy to the Post COVID-19 Economy

---

## Rationale

This paper presents a set of priorities for modifying the Child Care Subsidy (CCS) in response to the post COVID-19 economic climate. Major national peaks, a number of large providers and state peaks have had the opportunity to review and contribute. There are three outcomes we all want to achieve:

1. Provide every child with stable access to high quality early childhood education and care;
2. Support parents with young children to participate in an uncertain and unpredictable job market; and
3. Maintain the capacity of the Early Childhood Education and Care (ECEC) sector to support economic recovery.

## What has changed?

The COVID-19 pandemic has created the largest economic downturn Australia has seen in many decades. The economic recovery is predicted to take longer than the search for a COVID-19 vaccine.

Unemployment and underemployment in Australia is forecast to remain well above pre-pandemic levels for at least the next two years.<sup>1</sup> Even where individuals remain employed, spending patterns are predicted to change, as businesses and households 'scale back their spending to preserve cash flow in the face of an extended downturn'.<sup>2</sup> Some individuals, such as single parents, have been affected more greatly than others. Over two million parents are out of work or not in the labour force, whilst hours of work have decreased for others. Lone parents in particular have suffered employment losses – with employment falling by 8% for women and more than 5% for men<sup>3</sup>.

For the ECEC sector we expect a prolonged period of lower enrolments and inconsistent enrolment patterns, jeopardising children's access to early education and the viability of this essential service.

## Why is the Child Care Subsidy not suitable for pandemic conditions?

The Child Care Subsidy (CCS) system was designed at a time when the majority of parents had stable employment and income: each parent is required to meet an activity test and to estimate their income in advance of receipt of services. Many working families currently face great financial uncertainty, including unemployment, underemployment, reduced income and unpredictable working patterns. This uncertainty makes it very difficult to estimate working hours and income, leaving families exposed to under- or overpayment of CCS.

The existing measure for helping families in financial distress – the Additional Child Care Subsidy (Temporary Financial Hardship) – is not fit for purpose, for a large-scale economic downturn. It is administratively burdensome and even with repeated applications and extensions, it cuts out after six months. Applications for the subsidy must be assessed by Services Australia, which has previously struggled with timely processing for families affected by flood and bushfire.

---

<sup>1</sup> Reserve Bank of Australia. (2020). [Statement on Monetary Policy, May 2020](#). p.89.

<sup>2</sup> Grattan Institute. (2020). [Shutdown: estimating the COVID-19 employment shock](#). p.29.

<sup>3</sup> 6202 Labour Force Australia

<https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6202.0Apr%202020?OpenDocument>

If we do not adjust the CCS system to meet the pandemic conditions, we risk:

- Children missing out on early learning and care – surveys undertaken by providers and The Parenthood suggest that up to a third of families may withdraw children from ECEC at the end of the Relief Package;
- Parents finding it difficult to access care, hampering their return to work;
- Families being underpaid or incurring CCS debts, as well as many struggling to access and maintain additional support when they need it;
- Exacerbation of risk factors for vulnerable children – parental unemployment and financial stress increase the risk of child abuse and neglect as well as family violence; and
- Services becoming financially unviable, impacting supply and choice for families as well as adding to unemployment as educators and teachers are left without work.

ECEC availability is crucial to the economic recovery. Unemployed parents need capacity to seek work and to retrain, and this will only be possible if they have continued affordable access to early childhood education and care. Switching CCS on without change is likely to mean the withdrawal of up to a third of all children (Parenthood Survey) and an unviable ECEC sector. This in turn would limit parents' capacity to work or retrain.

### **How can we change the Child Care Subsidy to meet the new conditions?**

The CCS system can be adjusted to suit the pandemic conditions of high unemployment and substantial reductions in family incomes. . The system needs to be simplified to accommodate fluctuating income and streamline administrative requirements – ideally it would be forward looking and adjust family entitlements based on current and future earnings rather than backdating entitlements, in recognition that predicting earnings is particularly difficult in the current economic conditions.

These adjustments will need to be in place for at least 12 months. During this period a thorough review of ECEC funding should be undertaken, including:

- The evaluation of the Child Care Package by AIFS;
- The review of the NPAUAECE by Nous;
- The review of access to ECEC for disadvantaged children by The Smith Family;
- Feedback from the National COVID-19 Commission on measures needed to support recovery;
- A thorough assessment of the changed economic and social conditions impacting on parents' participation in the workforce and children's participation in early childhood education; and
- Consultation with the sector, families, the business sector, unions and the States and Territories.

## Summary of Consensus on CCS Modifications

CCS Modifications	Intended Outcome	Mechanism	Considerations
<b>Eliminate or suspend the Activity Test, or ensure all families meet the top tier of the Activity Test so all families receive 100 hours per fortnight of CCS.</b>	<p>All children have access to 100 hours of CCS per fortnight regardless of their parents' activity.</p> <p>In the context of 10% unemployment &amp; record underemployment, many families are likely to experience precarious workforce engagement for some time; they may be in and out of work or working variable hours. This would provide children with stability of access and simplify CCS.</p>	<p>This can be achieved through Minister's Rules and relatively simple DHS system change, managed centrally to give all families an activity test result of 100 hours.</p>	<p>While it is unlikely that demand will return to pre-COVID levels for some time, there may be pockets of under supply in some areas – priority of access guidelines may be necessary to ensure that vulnerable children and working families are able to access the care they need.</p> <p>Many previous forms of recognised activity are not available, e.g. volunteering and job search activities. Also, both of these activities have a 36 hour cap for CCS. Providing 100 hours also limits families having to report to Services Australia. Supports all children.</p>
<b>Service level approval for ACCS – child wellbeing and TFH - for at least 13 weeks.</b>	<p>The current application and approval process for ACCS is not fit for purpose in the current climate as demonstrated by low uptake and is not an adequate safety-net for COVID recovery.</p>	<p>Requires legislative amendment.</p>	<p>The Relief Package has seen more vulnerable children (including Indigenous children) access ECEC than ever due to reduced administration and barriers to access</p>
<b>Authorise ECEC services to waive the parent component of the fee when children are absent (particularly but not only when services are directed to close due to COVID-19).</b>	<p>During further COVID-19 outbreaks, children can be kept at home at no cost to families.</p>	<p>Requires Legislative change to extend current provision. No DHS system change required.</p>	<p>There is broad consensus and support for this but some concern that it will put providers in a difficult position – clear guidelines on when and when not to waive fees may be needed as well as access to top up funds in the event of any COVID-19 related shut down.</p>

CCS Modifications	Intended Outcome	Mechanism	Considerations
<p><b>Provide community-based block funding, rather than individual funding, for ECEC for vulnerable groups, such as Indigenous children.</b></p>	<p>Aboriginal and Torres Strait Islander communities can continue to operate early education and care services throughout the pandemic.</p>	<p>Can be achieved administratively.</p>	<p>There are some unique challenges in operating services for vulnerable communities that would be better addressed through block funding and/or service level approval for ACCS (see above). Noting that changes to service level approvals of ACCS is unlikely to be achieved in the desired timeframes due to the need for an extensive DHS system overhaul and detailed legislative changes.</p>
<p><b>Increase the CCS payments to families from 85% (max.)-20% (min.) of hourly fees to 95% (max.)-30% (min.) of hourly fees.</b> <b>OR (below)</b></p>	<p>This would improve affordability for all families and address financial barriers for low income families. The cost may be offset by reduced demand for higher hours of care if fewer families have both parents working full time.</p>	<p>Requires simple change to Primary Legislation. Simple DHS system change, done centrally to increase subsidy rates.</p>	<p>The design of the taper means families with reduced incomes, where they were already below \$67k or between \$174k and \$250k, won't receive a higher subsidy rate even when their income drops. There is some concern that this option will exacerbate demand in OSHC, which could be managed through priority of access guidelines or other mechanisms.</p>
<p><b>Provide a base entitlement of 20 hours per week of ECEC for all children and 30 hours per week for Aboriginal and Torres Strait Islander children with no Activity Test and no out-of-pocket costs for parents.</b></p>	<p>No child loses access to early learning due to parental unemployment or financial instability. This may not be necessary if Options 1 &amp; 5 are implemented, but is presented as an alternative approach. Additional hours for Aboriginal and Torres children will go some way to achieving 'Closing the Gap' objectives.</p>	<p>Requires change to Primary Legislation to achieve 'no-out-of-pocket cost' outcome.</p>	<p>There are some concerns about increasing demand beyond capacity and exacerbating accessibility issues in OSHC services, there are ways to manage this (eg priority of access guidelines or a proportionate entitlement to operating hours).</p>

CCS Modifications	Intended Outcome	Mechanism	Considerations
<p><b>Maintain allowable absences at 60 days per financial year.</b></p>	<p>We anticipate there may be frequent service closures if there are further waves of COVID-19 and we want to encourage families to keep children at home if they or a family member is unwell.</p>	<p>Can be achieved via Minister’s Rule (reinstate March Rule). Simple DHS system change.</p>	<p>There is strong consensus and support for this.</p>
<p><b>Increase the income thresholds for ACCS Transition to Work to align with either \$150k family income or FTB-A family income (\$100k) for 12 months.</b></p> <p><i>This is a new inclusion- it has not been consulted widely but is likely to have support.</i></p>	<p>Expands eligibility criteria to provide support for more people returning to work or re-skilling/training for new employment in industries that don’t bounce back.</p>	<p>Requires legislative change.</p>	<p>The JobSeeker income threshold was increased to \$79k family income but the ACCS TTW income limit remains at \$68k, so thousands of people transitioning from welfare will be ineligible for support.</p>

Acknowledgement: Initiated by ECA, this paper has benefited from contributions and feedback by FDCA, NOSHA, SNAICC, ELAA, CELA, CCCA, Goodstart Early Learning, KU Children’s Services, Gowrie Australia, C&K, Big Fat Smile, ACCS, Child Australia and several individuals with expertise in early childhood policy and program delivery.