

# **Goodstart Early Learning: 2022 Pre-Budget Submission to the Australian Treasury**

**January 2022**

## PRE-BUDGET SUBMISSION TO THE AUSTRALIAN TREASURY – BUDGET 2022

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 660+ centres located in all states and territories, supporting more than 67,670 children from 56,800 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) simultaneously achieves two key public policy objectives: supporting children's high quality learning to build our nation's long term human capital; and enabling parents and carers to participate in work and study. The last two years of this COVID-19 pandemic have demonstrated how truly essential ECEC services are to our economy and society. ECEC services have remained open through some of the strictest and longest lockdowns in the world. While schools were closed and working from home became the norm, our educators opened their centres to provide safe, high quality early learning and care, so parents had the confidence needed to keep working and to ensure children could continue learning in the vital first five years of life. As the impacts of Omicron are now being felt across the nation, it is clear that ongoing investment from Government will be needed to ensure Australian families and businesses have access to the safe, quality ECEC workforce and services that is needed to support our economic recovery.

COVID has impacted ECEC in many ways. Children have missed vital days of early learning and the associated benefits of learning things like language and social-emotional regulation from their peers. We are observing increases in children exhibiting challenging behaviours, developmental delays (especially in speech and language) and increased need for inclusion support, so children can participate in early learning and their parents can continue to work. Evidence continues to emerge that children facing disadvantage and vulnerabilities are experiencing the worst outcomes from COVID - contributing to a further widening of attainment gaps across society.<sup>1</sup> We are also concerned for and planning ahead to support children born during the pandemic who are similarly affected<sup>2</sup> but may not yet be participating in ECEC.

COVID has also significantly impacted our ECEC workforce. We are facing unprecedented challenges in our centres with hundreds of staff isolating, hundreds of children absent and widespread uncertainty among families and educators and determining the best way forward to stay safe. Across our national network, we have had more centres impacted by full or partial closures in the first two weeks of 2022 than we did in the last six months of 2021. Early childhood teachers and educators are the essential workers holding up essential workers each and every day. Every time an early learning centre is closed, 150 families have to stay home to care for their children with knock-on impacts for 150 employers and workplaces.

At Goodstart, we continue to waive gap fees for all families impacted by partial or full centre closures, which means we lose around 40 per cent of our revenue while continuing to pay fixed costs like wages and rent. The Australian Government provided welcome financial support during the 2021 lockdowns but there has been no additional financial support for the sector this year, despite over 450 ECEC centres closed nationally and providers incurring far higher COVID-related costs due to labour costs (e.g. sick leave), Rapid Antigen Tests, personal protective equipment (masks, gloves, sanitiser), ventilation upgrades, etc. Additional support will be needed, with key priorities outlined in this submission.

National Cabinet has recognised ECEC as an essential service. We need reliable and sustainable funding and policies in place to ensure we can provide the safe work and care setting that our children, families and employees expect, even as other variants emerge.

It's not just about COVID. It's about giving all Australian children the best start to school and life and supporting their families' workforce participation to help re-start our economy at the same time. All the things that mattered

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<sup>1</sup> Monash (2020), [How COVID-19 widens the divide between the rich and poor children](#)

<sup>2</sup> British Medical Journal (2022), [Covid-19: Babies born during the pandemic show slight development delays.](#)

pre-COVID – high quality preschool, inclusion support, removing cost barriers to access – still matter and indeed matter more to address rising inequality across our nation<sup>3</sup>.

We acknowledge and are grateful for the COVID support provided by the Australian Government to date. We also commend the Australian Government for making longer term investments in preschool, inclusion support and affordability improvements. However, the first month of 2022 has made it clear that the ECEC sector will continue to need targeted, time-limited support to ensure we can continue to support Australia's children and their families.

For this reason, we ask Government to:

- continue COVID financial support to ensure ECEC services can stay open now and in the longer term, so children can learn and parents and carers can work.
- guarantee all Australian children the best start to life by supporting the *Starting Better: A Guarantee for Young Children and Families*<sup>4</sup>, with three days per week free or low cost ECEC, more paid parental leave and increased maternal and child health nurse visits.
- invest in the ECEC workforce by allocating funding to implement strategies and initiatives in the National ECEC Workforce Strategy – Implementation Plan.
- improve access, quality, affordability and inclusiveness of ECEC, particularly for children experiencing vulnerability and disadvantage who – the research tells us – will benefit the most.
- embed a consistent response to emergencies and natural disasters to support children and families when they need it most.

**An important note about specific recommendations in this submission:**

**At the time of finalising this submission, the Omicron variant has amplified the impacts of COVID in ways that we didn't predict at the end of 2021. Increasing staff costs for the delivery for ECEC, concerns from families, increased absences by staff and children, reduced attendances and reduced enrolments for 2022 mean that current support measures like waiving gap fees for families will not be sustainable into the future without additional financial viability support.**

**We are continuing to analyse the situation in real time and are committed to continuing to work with the Government to develop effective policy solutions to provide certainty for families and our people and ensure we can provide affordable safe early learning for Australia's children.**

**Updates on any revisions to our recommendations as the situation develops can be provided upon request.**

Government to support COVID-affected families and the ECEC sector by:

1. Delivering vital financial viability support through administrative arrangements (Business Continuity Payments) or Minister's Rule (time-limited increase to CCS percentage) to support providers to receive the equivalent of at least 85% Child Care Subsidy, subject to providers: waiving gap fees for families; agreeing an employee guarantee; and not increasing fees during period of support.
2. Procuring and prioritising distribution of free Rapid Antigen Tests to the ECEC sector for educators and families (where they need them), as an essential service.
3. Extend existing Minister's Rule provisions to allow providers to waive gap fees and families to access extra allowable absences until at least 31 December 2022.

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

4. Allocating \$100 million funding p.a. to fulfil strategies and initiatives in the National Early Childhood Education and Care Workforce Strategy - Implementation Plan, due to Education Ministers in June 2022.

<sup>3</sup> Darmody M, E Smyth and H Russell (2021), [Impacts of the COVID-19 control measures on widening educational inequalities](#).

<sup>4</sup> Centre for Policy Development (2021), [Starting Better: A Guarantee for Young Children and Families](#).

5. Agree to develop a Commonwealth-State tax reform agreement to support better wage outcomes for ECEC educators.

Government to support all children and families to access high quality early learning by:

6. Adopting the reform agenda, *Starting Better: A Guarantee for Young Children and Families*, including three days of free or low-cost early childhood education for all Australian children.
7. Ensuring sufficient funding to enact reforms under the National Preschool Reform Agreement, including funding to follow the child in all jurisdictions, effective implementation of a new outcomes measure, and to extend preschool funding to two years before school.
8. Amend primary legislation to increase the ACCS Child Wellbeing Certificate period to 13 weeks to simplify access to early learning for children at risk of abuse or neglect.
9. Conduct a comprehensive review of Additional Child Care Subsidies (ACCS) to address very low national uptake, particularly in relation to ACCS Transition to Work and ACCS Temporary Financial Hardship.

Government to support continuous quality improvement in ECEC by:

10. Allocating funding to support the ECEC sector to drive improved quality by implementing the findings of the Review of the National Quality Framework and the Approved Learning Frameworks.
11. Amending legislation to enable providers to access up to 4 student free days per year (close centre, claim CCS and waive gap fees) for the purpose of professional development and quality uplift.

Government to improve affordability of ECEC and remove cost barriers by:

12. Conducting a review of the CCS hourly rate cap to restore the affordability of ECEC to the settings achieved when the Jobs for Families Child Care Package was announced in 2015.
13. Amending legislation and allocating funding to increase the CCS percentage by 10% at each income level, up to 95% for very low income families.

Government to embed support for families in emergencies and natural disasters by:

14. Reinstate the Minister's Rule (expired in January 2021) to allow providers to waive gap fees for families when a centre is directed to close due to an emergency or natural disaster.
15. Amending legislation and allocating funding to provide ECEC fee relief for families impacted by emergencies and disasters 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 the inclusion and engagement of all children in ECEC by:

16. Increasing funding for the Inclusion Support Program to allow a one-off catch up and ongoing indexation of the additional educator wage subsidy and removal of the 25 hour per week support cap.

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#### ACRONYMS & ABBREVIATIONS

ACCS	Additional Child Care Subsidy
ACECQA	Australian Children's Education and Care Quality Authority
BCP	Business Continuity Payment
CBC	Centre-based care (i.e. long day care service)
CCS	Child Care Subsidy
CPD	Centre for Policy Development
ECEC	Early childhood education and care
ECT	Early childhood teacher
ISP	Inclusion Support Program
NPUA	National Partnership Agreement on Universal Access to Early Childhood Education

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

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## RECOMMENDATIONS IN DETAIL

**An important note about specific recommendations in this submission:**

**At the time of finalising this submission, the Omicron variant has amplified the impacts of COVID in ways that we didn't predict at the end of 2021. Increasing staff costs for the delivery for ECEC, concerns from families, increased absences by staff and children, reduced attendances and reduced enrolments for 2022 mean that current support measures like waiving gap fees for families will not be sustainable into the future without additional financial viability support.**

**We are continuing to analyse the situation in real time and are committed to continuing to work with the Government to develop effective policy solutions to provide certainty for families and our people and ensure we can provide affordable safe early learning for Australia's children.**

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### COVID support for children, families and the ECEC sector

**Recommendation 1: Deliver vital financial viability support through administrative arrangements (Business Continuity Payments) or Minister's Rule (time-limited increase to CCS percentage) to support providers to receive the equivalent of 85% Child Care Subsidy, subject to providers: waiving gap fees for families; agreeing an employee guarantee; and not increasing fees during period of support.**

Goodstart welcomes the recognition by National Cabinet that early childhood education and care (ECEC) is an essential service. Keeping centres safe is crucial for both children's learning and the broader economy. As the NSW Premier recently noted, repeated closures of ECEC centres would increase workforce absenteeism by 5%. Indeed, every time a centre closes, 150 other workplaces are affected as parents need to stay home to care for their children. Every time a room closes, 30 parents and their workplaces are affected.

Omicron is impacting on the sector's ability to support the rest of the economy to bounce back. Ongoing staff shortages mean that many centres are unable to accept new bookings of children, thereby leaving many parents scrambling for care options as they try to return to work. Hundreds of staff absences are also impacting on families. In the first two weeks of January, 132 of Goodstart's 665 centres were closed fully or partially – more than the 127 centres closed fully or partially in the whole last six months of 2021. Child and staff absences were running at twice their normal level. Enrolments were down 3-4% on the previous year and child and staff absences were running at twice the level of the previous year.

COVID is also adding to provider's costs. Our wages bill has increased with additional sick leave, higher casual and agency wage costs for relief, and additional staff needing to be rostered to support COVID-safe practices such as 'cohorting' of groups and outside pickups and drop offs. We also face additional costs implementing COVID safe practices in centres, such as additional PPE, testing, cleaning and hygiene and air ventilation and filtering.

The combination of lower occupancy, waiving gap fees and higher staff absences represents a multi-million dollar impact to our revenue, which may worsen if enrolments do not recover. As a not for profit that was already projecting a budget deficit this year, these losses are significant. While we had some capacity during previous COVID waves to absorb gap fee losses, our lower revenue and higher labour costs make it much harder to absorb gap fees moving forward without additional support from Government.

Goodstart and other sector leaders on the Department's Early Childhood Education and Care Reference Group have been calling for more effective support for providers to ensure that ECEC can play its full role in economic recovery and ensure families have certainty. We believe that that support should include:

1. Compensation to providers who waive gap fees for families for COVID-related purposes. This could be by refunding 95% of the gap fee to providers (as fortnightly grants acquitted on an arrears basis). Alternately, this could be done as a targeted Business Continuity Grant calculated as a percentage of the comparable revenue period last year on a sliding scale based on absence rates (e.g. 30% absence rate = 15%, 40% absence rate = 20%, 50% absence rate = 25%) fortnightly in arrears;
2. Ensure that Rapid Antigen Tests are provided free of charge to centres and families to support a robust 'test to stay' approach;
3. Provide grants to centres to cover some of the additional costs related to COVID (e.g. N-95 masks, cleaning, ventilation);
4. Develop a national approach to public health settings for COVID in ECEC based on the Victorian definition of an 'education contact' and supported by a 'test to stay' regime to build confidence of both parents and educators in the safety of ECEC; and
5. Bring forward funded actions under the National ECEC Workforce Strategy to ease workforce pressures in the sector.

Goodstart acknowledges that the Australian Government has provided crucial ongoing support to the ECEC sector that has helped families and educators to weather the COVID pandemic, and we are grateful for that support. However the crisis is not over, and the ECEC sector will continue to need targeted, time limited support to ensure that we can continue to support Australia's children and their families. We need our families and educators to be confident that we can provide a safe learning environment, and that they will be supported if COVID touches their household.

Confidence is key in building a more sustainable business environment for ECEC more broadly and supporting the economy as we strive to support Australian parents to return to work.

**Recommendation 2: Procure and prioritise distribution of free Rapid Antigen Tests to the ECEC sector for educators and families (where they need them), as an essential service.**

National Cabinet has recognised that ECEC is an essential service, with the Commonwealth committing to fund 50% of the costs of rapid antigen tests for the sector. We now need to get the policies and resources in place to ensure we can provide the safe work and care setting. A more supportive and workable set of rules is urgently needed to manage COVID cases in our sector. This view has been advocated by paediatricians from the Murdoch Children Research Institute among others.<sup>5</sup>

At a minimum, a national approach should include national adoption of the 'education contact' category developed by Victoria, which acknowledges transmission does occur in centres, recognising that 15 minutes of face to face time or 2 hours in the same room is sufficient to result in transmission<sup>6</sup>. Under this policy, educators defined as a 'close' or 'education' contact would be required to take a daily rapid antigen test (RAT) for at least five days, whether they are symptomatic or not. Where a child meets the same contact definition, parents would similarly be encouraged to administer RATs over the next five days, whether they are symptomatic or not. (Noting that RATs are not recommended for children under the age of 2 years.). While states such as NSW and Victoria are offering to fund RATs for educators, no tests have been offered to families in ECEC (unlike schools). This oversight should be reviewed as tests become more freely available.

This policy approach provides confidence to families and educators about the safety of service. NSW and Victoria are already administering a similar policy and distributing RATs to ECEC services. We ask that this

<sup>5</sup> Fiona Russel & Robert Booy "The Conversation" 11/1/2022 <https://theconversation.com/we-shouldnt-delay-the-start-of-school-due-to-omicron-2-paediatric-infectious-disease-experts-explain-174330> ; Sharon Goldfeld & Asha Bowen "The Sydney Morning Herald" 11/1/2022 <https://www.smh.com.au/national/australia-needs-a-national-plan-for-children-schools-and-covid-19-20220110-p59n58.html> <https://www.smh.com.au/national/australia-needs-a-national-plan-for-children-schools-and-covid-19-20220110-p59n58.html>; Statement by the Australian and New Zealand Paediatric Infectious Diseases Group 10/1/2022.

<sup>6</sup> <https://www.coronavirus.vic.gov.au/managing-confirmed-case-coronavirus-covid-19#contact-identification>

approach be adopted nationally and that Rapid Antigen Tests be made available free of charge to centres and families to support this approach.

**Recommendation 3: Extend existing Minister's Rule provisions to allow providers to waive gap fees and families to access extra allowable absences until at least 31 December 2022.**

A key mechanism for supporting families affected by lockdowns, isolation, COVID infections and room or service closures has been the ability for providers to waive their out of pocket costs (gap fees) and still claim Child Care Subsidy (CCS). This means that families who are doing the right thing and isolating are not out of pocket. It also gives services a source of revenue when a room or service is closed due to a COVID event.

The Minister's Rule that enables providers to waive gap fees under certain COVID-related conditions is due to expire on 12 August 2022. We ask Government to extend this Rule until 31 December 2022 to allow flexibility for families and providers in the event of further COVID outbreaks and/or variants. The continued flow of CCS does not increase costs to Government but provides families and services with an invaluable level of certainty.

For most providers, waiving gap fees results in a loss of approximately 40 per cent of their revenue (CCS 60%), as noted in Recommendation 1 (above). So, waiving gap fee provisions should be complemented by top-up funding so that all providers can afford to pass on this benefit to families who need it most.

### Supporting the ECEC workforce

**Recommendation 4: Allocate \$100 million per annum in funding to implement strategies and initiatives in the National Early Childhood Education and Care Workforce Strategy - Implementation Plan, to be considered by Education Ministers in June 2022.**

The workforce challenges faced by the ECEC sector are not new but have been exacerbated by the COVID-19 pandemic. In December 2021, monthly vacancies in ECEC surged to double the pre-pandemic levels, with advertisements places for 3,944 child care workers and managers and 1,727 early childhood teachers.<sup>7</sup> The ECEC workforce has had a very tough two years. With high absenteeism due to COVID and attrition rates<sup>8</sup>, we remain concerned that this will soon translate to a shortage of ECEC places, children missing out on early learning, parents unable to work or study and increased costs to families as services cover salaries in an increasingly competitive labour market. Many centres are already reporting that they are unable to enrol children because they cannot find the educators to care for them.

In October 2021, Education Ministers endorsed *Shaping our Future: A ten-year strategy to ensure a sustainable high-quality children's education and care workforce 2022-2031* (the Strategy). The strategy sets short, medium and long-term goals centred around six themes: professional recognition; attraction and retention; leadership and capability; educator wellbeing; qualifications and career pathways; and data and evidence.

The Strategy did not, however, include any new funding. In order for the Strategy to have meaningful impact, the Australian Government must commit new investment to underpin the Implementation Plan being developed by ACECQA for consideration by Education Ministers in mid-2022. We ask that Government allocate at least \$100 million per annum in funding to fulfil activities and initiatives in this Implementation Plan. This funding ask is significantly less than the precedent set in the 2021 Australian Federal Budget for growing a skilled, aged care workforce; another workforce facing critical shortages that can have consequences for quality service delivery.

Investment should focus on three key overriding strategies – all of which are aligned with the Government endorsed ECEC Workforce Strategy:

**1. Improve the ability of the sector to attract and supply traineeships by:**

<sup>7</sup> LMIP Vacancy Report Detailed Occupation Data Dec 2021  
<https://lmip.gov.au/default.aspx?LMIP/GainInsights/VacancyReport>

<sup>8</sup> CELA (2021), [Investing in our Future: Growing the education and care workforce](#). The Australian 9 January 2021, "Concern over the quality of childcare due to staff shortage".

- 1.1. Extending the Boosting Apprenticeship Commencement Incentives scheme for ECEC by another twelve months. The scheme currently closes to new commencements in March 2022;
- 1.2. Offering centres a \$5000 grant for each new Cert III trainee that they support. This could be used for the costs associated with supervision of the trainee and releasing the trainee to attend courses;
- 1.3. A national campaign to promote careers in the sector.
- 1.4. Offering centres up to four 'child free days per year' to run whole of centre professional development to enhance quality in the centre. These days should be special absence days where CCS is payable and centres can opt not to charge gap fees. Child free days are a crucial part of staff development and quality improvement agendas in the schools and preschools and should be replicated in the long day care sector as a means of both improving quality, building centre teams and supporting educators.

**2. Support the fast-tracking of immigration as a source of additional employees, particularly for Diploma and Bachelor qualified educators.**

- 2.1. Establish a departmental unit on skilled migration to support providers to facilitate recruitment of teachers and educators overseas working closely with the Department of Home Affairs. This could be supported by a concerted awareness campaign in key markets of opportunities in ECEC in Australia. For example, Australia's teacher shortage could be allayed by the oversupply of teachers in the United Kingdom and Ireland.
- 2.2. Implement red tape reduction and streamlining activities to support skilled migration, including:
  - Include Child Care Group Leader in to the priority migration skilled occupations list (MLTSSL). They are currently only in the Regional Occupations List;
  - Include early learning in occupations approved for 403 visas for Pacific Islanders in the specified class on 417 working holiday visas allowed to work for a second year;
  - Decrease requirements for qualifications for Senior Educators and Teachers for sponsorship (421111) Eg Recognition of 2 years of work in the sector in a previous lower qualified role in the sector not just in the nominated role;
  - Include Certificate III educators in the Regional Occupations List for a defined term until the workforce is more stable (visas 494 and 187);
  - Prioritised visa processing for Childcare / Early Learning Sector – including DAMA applications and any visa transfers, and reduced fees;
  - ACECQA and AITSL to recognise and acknowledge Teacher degrees as qualified 4 year ECTS particularly initially from the UK, Ireland and possibly South Africa without the need for individual case assessments. State teaching registration bodies should mutually recognise registration from the UK and Ireland without the need for individual case assessments.

**3. Improve the attractiveness of working in ECEC for current, former and potential employees.**

- 3.1. Retention bonuses for teachers on preschool programs. Teachers in long day care preschool programs to be paid \$5000 if they work for their employer for the full 40 weeks of the 2022 school year (pro-rata for part time employees). Continuity in teaching is one of the most important ways of maintaining quality in delivery of preschool programs and ensuring children receive the best possible learning experience.
- 3.2. Run 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>9</sup> and 7,000 jobs for teachers.<sup>10</sup>
- 3.3. Improve wage outcomes for ECEC educators – see Recommendation 5.

<sup>9</sup> Job Outlook – Occupation: [Child Carers](#).

<sup>10</sup> <sup>10</sup> Job Outlook – Occupation: [Early Childhood Teachers](#).

**Recommendation 5: Agree to develop a Commonwealth-State tax reform agreement to support better wage outcomes for ECEC educators.**

Low wages are an ongoing structural issue for ECEC that reflect the underlying funding available to the sector. Longer term structural reform may be needed to address this. In the short term, Commonwealth and State Governments working together could enact measures to help retain current workers and attract former and new workers to the sector.

Both levels of government could work together to secure tax reform to support better wage outcomes for educators. Two measures could be considered supporting separately for profit and not for profit providers, delivered across both levels of government:

1. **Exempt ECEC services from payroll tax** – Currently, payroll tax is not payable by schools, preschools, not-for-profit ECEC services and small standalone private providers. This leaves a minority of ECEC services (i.e. where the provider has 2 or more services) liable for payroll tax. The States could offer to exempt these providers from payroll tax on the condition that providers pay educators and teachers at least 5% more than the award rate (i.e. the tax saving flows to employees). There would be a windfall gain to the Commonwealth in additional income tax payable on this wage rise, which could be offered as a compensatory grant back to the States for ECEC workforce initiatives.
2. **Replace the FBT rebate for not for profit services with an FBT exemption** – Currently, not for profit ECEC services are eligible for an FBT rebate on up to \$30,000 of grossed up value of FBT, equivalent to 47% of the FBT that would otherwise be payable. However, the rebate is inequitable – it provides no benefit to employees earning less than \$65,000 p.a. and the greatest benefit to employees earning over \$200,000 p.a. The vast majority of the ECEC workforce receive no benefit from the FBT rebate. A fairer approach would be to replace the FBT rebate for ECEC services with an FBT exemption. A modest \$10,000 FBT exemption would provide the equivalent of a 4-5% increase in wages for educators, scaling down to small reductions on incomes above \$190,000.

These simple but effective tax reforms could be agreed as part of a Commonwealth-State agreement and could significantly improve wage outcomes for ECEC educators without the need to increase fees.

## Supporting all children to access high quality early learning

**Recommendation 6: Adopting the reform agenda, *Starting Better: A Guarantee for Young Children and Families*, including three days of free or low-cost early childhood education for all Australian children.**

We support the Centre for Policy Development's *Starting Better: A Guarantee for Young Children and Families*<sup>11</sup>, which proposes a nationwide guarantee for young children and families and sets out how we can achieve it over the coming decade. It draws on extensive consultation and research from the first year of the Early Childhood Development Initiative.

*Starting Better* proposes a reform agenda to deliver on a new Guarantee, which entitles every child in Australia and their family to:

- Three days free or low-cost quality early education from birth until school, with more days available at minimal cost. This begins as soon as families need it. This means all children will experience the lifelong benefits of quality early education
- More paid parental leave, shared between partners. This will give babies time with their parents in the crucial first year of life, and it will give families the confidence to balance work and home more easily and equally
- Support for children and parents from within their community, including up to 25 visits from maternal and child health nurses

<sup>11</sup> Centre for Policy Development (2021), [Starting Better: A Guarantee for Young Children and Families](#).

This ambitious but deeply necessary suite of reforms will take place over a transformative decade and will involve every level of government, as well as business, unions and civil society and should be made a strategic reform priority for National Cabinet. Delivering the Guarantee for young children and families will build a generation of national prosperity, with lower health and crime bills, rewarding and secure jobs in early childhood education, and greater tax receipts from a smarter, healthier and more capable nation.

Even before COVID, one in five Australian children were starting school developmentally vulnerable and this increased to two in five Indigenous children. However, we know that children who participate in a quality early childhood education program are more like to start school read to learn and succeed – particularly vulnerable and disadvantaged children.<sup>12</sup> The Guarantee would ensure cost was not a barrier and that all children would have access to at least three days of high quality early learning.

**Recommendation 7: Ensuring sufficient funding to enact reforms under the National Preschool Reform Agreement, including funding to follow the child in all jurisdictions, effective implementation of a new outcomes measure, and to extend preschool funding to two years before school.**

There is a wealth of evidence obtained through highly disciplined research about the benefits of preschool for children – particularly vulnerable and disadvantaged children.<sup>13</sup> The many educational, social, emotional and economic benefits of investing in early childhood education are why the Australian Government committed four years' funding for preschool in the 2021 Australian Federal Budget.

The new National Preschool Reform Agreement centres around three key policy reforms: Commonwealth funding to follow the child (regardless of preschool setting); attendance targets; and development of an outcomes measure. Funding allocated to the reform agreement must be sufficient for state and territory governments and the Australian Government to deliver upon these reforms without reducing the quantum of funding allocated to each child participating in preschool (approximately \$1340 per child).

There is a wealth of international evidence that shows that two years of preschool or kindergarten has more impact<sup>14</sup> than the one year that Australian currently provides, as confirmed in the *Lifting our Game* Report<sup>15</sup>. However, just 58 per cent 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>16</sup>

In the absence of Commonwealth leadership, state and territories are implementing varied models of preschool for three-year-old children, which will lead to different outcomes for Australia's children, i.e. Victoria has a long-term phased approach, NSW offers a second year in community preschool settings only and Tasmania and the ACT are offering early learning (not preschool program) access for vulnerable children. As was the case before the introduction of the NPUA, accessing a second year of preschool depends on where you live and your family's circumstance and this will see the education gap between the 'haves' in the larger states and the 'have nots' in the smaller states widen.

We ask Government to increase funding for the National Preschool Reform Agreement to provide for preschool in the two years before school. As an early measure, the current CCS Preschool Exemption should be extended so children and families can access a minimum CCS entitlement of 36 hours per week. This would significantly improve access to preschool programs for many children from low income families while work is progressing on implementing the *Starting Better* Guarantee (refer Recommendation 6).

<sup>12</sup> Pascoe & Brennan (2017), [Lifting our Game](#).

<sup>13</sup> NOUS (2020), UANP Review, Final Review Report

<sup>14</sup> Mitchell Institute (2016), ['Two years of preschool are better than one.'](#)

<sup>15</sup> Pascoe & Brennan (2017), [Lifting our Game](#).

<sup>16</sup> Productivity Commission (2020) Report on Government Services tables 3A.18 & 3A.19.

**Recommendation 8: Amend primary legislation to increase the ACCS Child Wellbeing Certificate period to 13 weeks to simplify access to early learning for children at risk of abuse or neglect.**

When a provider considers a child is “at risk of serious abuse or neglect<sup>17</sup>,” a service can immediately give an ACCS Child Wellbeing Certificate for up to 6 weeks in any 12 months period<sup>18</sup>. However, the current 6-week duration of Certificates is often insufficient for even the most skilled 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 confronting for Aboriginal and Torres Strait Islander families who, as a result of inter-generational trauma, may be reluctant to engage with processes involving government agencies or relating to child protection.

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 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>19</sup>. Our data shows us that 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.

**Recommendation 9: Conduct a comprehensive review of Additional Child Care Subsidies (ACCS) to address very low national uptake, particularly in relation to ACCS Transition to Work and ACCS Temporary Financial Hardship.**

Additional Child Care Subsidies (ACCS) are the Government’s key financial support mechanism for children at risk, families experiencing temporary financial hardship, families seeking to return to work or study after a period of income support, or grandparents on low incomes who have custody grandchildren. These additional subsidies provide financial support to access early learning so cost is not a barrier for children and families experiencing vulnerability.

When the new CCS was introduced in 2018, deliberate policy decisions were implemented regarding access (through Services Australia not providers), stricter eligibility and reduced periods of support in an effort to address concerns about fraud. Unfortunately, the approach went too far and very low uptake data indicates families who really need support are not accessing it.

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.

<sup>17</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>18</sup> FAAct section 85CB Certification for ACCS (child wellbeing), subsection (3).

<sup>19</sup> DESE, Policy Paper – Extending Length of Certificates, Additional Child Care Subsidy (child wellbeing).

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>20</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.

### Support continuous quality improvement in ECEC

**Recommendation 10: Allocate funding to support the ECEC sector to drive improved quality by implementing the findings of the Review of the National Quality Framework and the Approved Learning Frameworks.**

With up to 90% of brain development occurring before a child starts primary school<sup>21</sup>, it is no wonder that quality ECEC makes a significant contribution to achieving educational excellence in school and life<sup>22</sup>. The National Quality Framework (NQF) sets consistent national standards for ECEC services in Australia – as well as the commitment to continuous improvement. The NQF upholds children’s best interests through the implementation of a world-class quality system comprising the National Quality Standards, the Early Years Learning Framework, the Assessment and Ratings process underpinned by the National Law and the independent national authority, ACECQA. All governments, children and families benefit from a national approach to regulation and quality assessment of ECEC services.

Both the NQF and the Approved Learning Frameworks are currently under review with findings to be considered by Ministers and implemented from 2022. Teachers and educators will be crucial to achieving the objective of continuous quality improvement, so training and professional development to implement the changes will be vital. For many educators, finding time ‘off the floor’ to complete such training can be challenging, particularly if there are associated agency costs for backfill.

Implementation of these reviews must be accompanied by additional investment aimed at delivering the quality improvements while maintaining affordability for families.

**Recommendation 11: Amend legislation to enable providers to access up to 4 student free days per year (close centre, claim CCS and waive gap fees) for the purpose of professional development and quality uplift.**

Ongoing access to training and professional development is key to achieving continuous quality improvement in education and care settings. In schools, teachers and staff have access to student free days. These days are designated for staff or school professional development activities and may cover topics such as literacy and numeracy, behaviour management, curriculum implementation, or pedagogical frameworks, as well as mandatory training such as fire training, code of conduct etc.

<sup>20</sup> APH, 14 July 2020, [‘The impact of COVID-19 on JobSeeker Payment recipient numbers by electorate’](#).

<sup>21</sup> Center on the Developing Child (2007), [The Science of Early Childhood Development \(InBrief\)](#).

<sup>22</sup> Brennan and Pascoe (2017), [Lifting our Game](#).

ECEC educators and teachers should have similar access to designated student free days for professional development. This could be simply achieved by allowing providers up to 4 child free days per year (one per quarter) where they could close the service, claim CCS and waive gap fees for families, so they are not out of pocket. The continued flow of CCS does not increase costs to Government but provides services with revenue (albeit reduced revenue) while allocating invaluable time for quality uplift.

### Improve affordability and remove cost barriers to ECEC

#### **Recommendation 12: Conducting a review of the CCS hourly rate cap to restore the affordability of ECEC 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>23</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>24</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>25</sup>, average weekly earnings have risen by 9.7% which means the subsidy has been losing value in real terms.<sup>26</sup>

The CCS hourly cap on fees has not kept up with increases in child care costs, particularly in higher-cost rooms and locations like inner-city 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, or regional and remote locations where it is difficult to attract staff, particularly teachers. The CCS hourly cap also does not support the objective of flexible sessions of care (i.e. less than 9 hours) as it only offers a static subsidy rate, even though shorter sessions require fixed costs (like wages and rent) to be recovered over a shorter period.

With the new CCS system approaching 4 years, it is time for Government to conduct a comprehensive review of the CCS hourly cap, with a view to restoring affordability to the original level announced in the 2015 Budget. Consideration should be given to high cost settings, such as nurseries and metropolitan locations, as well as setting separate, higher hourly caps for shorter sessions of care.

#### **Recommendation 13: Amending legislation and allocating funding to increase the CCS percentage by 10% at each income level, up to 95% for very low income families.**

The current CCS settings remain a barrier for some families wanting to increase 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. 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.

Goodstart supports the proposal by the Grattan Institute<sup>27</sup> and KPMG<sup>28</sup> to amend primary legislation 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%).

<sup>23</sup> Scott Morrison MP media release, 10 May 2015, '[Jobs for Families Child Care Package delivers choice for families](#)'.

<sup>24</sup> Scott Morrison MP doorstep, 14 October 2020, <https://www.pm.gov.au/media/doorstop-parkhurst-qld>

<sup>25</sup> Based on CPI indexation over four years to Dec 2019.

<sup>26</sup> Average Weekly Earnings (ABS 6302.0) growth from Dec 2015 to Dec 2019.

<sup>27</sup> Grattan Institute (2020), '[Cheaper childcare: A practical plan to boost female workforce participation](#).'

<sup>28</sup> KPMG (2020), '[The Child Care Subsidy: Options for increasing support for caregivers who want to work](#)'.

## Support children and families in emergencies and natural disasters

### **Recommendation 14: Reinstate the Minister's Rule (expired in January 2021) to allow providers to waive gap fees for families when a centre is directed to close due to an emergency or natural disaster.**

In a country as vast and diverse as Australia, emergencies and natural disasters are the norm, rather than the exception. In 2021, our country experienced cyclones, flooding, tsunami warnings and even an earthquake. In each of these disasters, services were closed and/or families were unable to access their service due to road closures or emergencies to deal with in their homes.

A key mechanism that supported services directed to close during major disasters in 2019-2020 (e.g. Australian bushfires and Queensland floods) 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 Minister's Rule that allowed providers to waive gap fees during emergencies and natural disasters ceased in January 2021. Since then, the only available support to families is the ability to access additional absences without evidence, if they've exhausted their allowable absences. We ask that the subordinate legislation to waive gap fees during declared emergencies and disasters be reinstated as a permanent provision.

### **Recommendation 15: Amend legislation and allocate funding to provide ECEC fee relief for families impacted by emergencies and disasters 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.

National data indicates very low uptake (refer Recommendation 9) of ACCS Temporary Financial Hardship, even during significant emergencies and disasters, such as the 2019-2020 Australian bushfires and Queensland floods. A lack of awareness about this support is likely to be a contributing factor but accessing support through Services Australia can also be a barrier, particularly for families who are already dealing with the impact of the disaster (e.g. loss or damage to homes, etc).

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. To mitigate the risk of fraud, a Ministerial declaration of a Local Area Emergency could be the trigger for allowing providers to facilitate access to this special ACCS type for a time-limited period following the event.

## Support the inclusion and engagement of all children in ECEC

### **Recommendation 16: Increasing funding for the Inclusion Support Program to allow a one-off catch up and ongoing indexation of the additional educator wage subsidy and removal of the 25 hour per week support cap.**

An important component of the Inclusion Support Program (ISP) is funding provided to cover the cost of the wages of an additional educator in the early learning room, so that children with a disability, developmental delay, trauma-related behaviours or other inclusion support need are able to participate in early learning. This prevents cost disincentives to enrolling children with higher support needs and supports their parents' workforce participation.

When the ISP 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. Prior to 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.

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>29</sup>.

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>29</sup> Spencer, N (2014), '[Family Matters: Impacts of caring for a child with chronic health problems on parental work status and security](#)'.