

Submission to the Family Assistance Legislation Amendment (Cheaper Child Care) Bill 2022

ARACY

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About ARACY

ARACY is a national organisation representing the wellbeing of children and young people. We aspire to see all Australian children loved and thriving. To do this, we bring the best available evidence into policy and practice, catalysing change by bringing people and knowledge together. Our consultations with over 4000 children and young people, their families, and experts have shown us what wellbeing means to them: to be loved, valued, and safe; to have material basics; to be physically and mentally healthy; to be learning; to be participating; and to have a positive sense of identity and culture. These six domains are reflected in ARACY's wellbeing framework for children and young people — [the Nest](#). Early childhood education and care is critical opportunity to enhance the lives of Australian children, and we at ARACY believe in supporting robust, high-quality, accessible, and equitable ECEC system.

Summary of Key Points

- ECEC is an essential service, not only to facilitate workforce participation, but to enhance the wellbeing and developmental trajectories of Australian children, especially those with additional vulnerabilities.
- While high quality ECEC is beneficial for most children, it has an enhanced beneficial effect on children with challenging family circumstances. Children who start school behind, fall further behind throughout their school years. This can have a profound impact on their lifelong trajectory and ability participate meaningfully in society throughout adulthood. Yet high quality ECEC has a beneficial effect on school readiness, associated with half the risk of developmental vulnerability at school commencement. As such, high quality, accessible, and equitable early childhood education is one mechanism for addressing inequitable outcomes for Australian children and interrupting intergenerational disadvantage.
- ARACY broadly supports the Bill's purpose of increasing affordability to high-quality ECEC through an investment of \$4.5B over 4 years. However, the distribution of this funding across income groups and the omission of addressing other barriers to ECEC participation requires consideration.

- ARACY notes that Schedule 1 disproportionately supports families with high and middle incomes, and those with single children, which could enhance inequitable developmental outcomes. ARACY therefore recommends consideration of alternative avenues of investment that are better suited to redress inequity.
- ARACY notes that Schedule 1 limits improved accessibility to increased affordability, which does not address other barriers to ECEC participation such as suitability and flexibility of care, culture, and attitudes. ARACY therefore recommends consideration of alternative avenues of investment that enhance accessibility of ECEC more broadly.
- ARACY recommends where measures are to be taken to address barriers to engaging with ECEC, consultation with families with lived experience be included.
- ARACY supports Schedule 2 and recommends expanding inclusion criteria to include both number of services and revenue of large childcare providers.
- ARACY supports Schedule 3, noting that other factors contribute to ECEC participation among Aboriginal and Torres Strait Islander families and that these should be addressed to enhance participation.
- ARACY supports Schedule 5, acknowledging that more substantial measures are required to address the increasing demand for a high-quality ECEC workforce and the need for remuneration that is reflective of the importance of this service.

Background

ARACY notes the vision of “childcare as an economic reform measure and an essential service that meets the needs of families and children”. We emphasise that early childhood education is not only an essential service but **supports the wellbeing of children and families** (see Figure 1) **and is a crucial lever for reducing inequity**. In a survey of Australian parentsⁱ, 77% agreed that “access to ECEC services is important for the mental health and wellbeing of the whole family”. Participation in early childhood education is associated with half the risk of developmental vulnerability when starting schoolⁱⁱ and improved relationships with familyⁱⁱⁱ. Given the profound impact that developmental vulnerability and family dynamics have on a child’s developmental trajectory – and subsequent lifelong ability to participate meaningfully in society – investment in early childhood education is an economic reform measure not only relating to immediate workforce participation but also to the productivity and success of future generations. Given intergenerational transmission of advantage/disadvantage, early childhood education represents a key opportunity to give vulnerable children – and their children and grandchildren – a recurring “leg up” in society and thus is an essential mechanism for addressing inequity.

Response to Schedule 1

ARACY understands that Schedule 1 makes changes to the childcare subsidy rates in line with aiming “to make early childhood education and care (ECEC) more affordable for 96 per cent of families

currently using childcare, with no families being worse off". ARACY applauds this as one mechanism for improving accessibility with several caveats, detailed below.

Firstly, the Bill does not target increased affordability for those who need it most. Specifically, **the Bill favours increased affordability for middle- and high-income families**. Indeed, the Bill Digest itself notes that the amendments "favour higher income childcare households, with 62 per cent of gains flowing to the top 40 per cent of childcare households but only 15 per cent to the bottom 40 per cent of childcare households" ^{iv}. This is problematic, as the greatest developmental gains of ECEC occur in children from vulnerable families. These families also have the least ability to afford childcare. In families with multiple children, affordability issues are compounded. Yet the Bill **does not provide any benefit to families with multiple children in childcare with family income below \$356 000**^v. According to ABS data, more than 95% of Australian households have a gross family annual income below \$356 000^{vi}. Even accounting for those families who have no children or only one child, it seems implausible that a Bill which excludes more than 95% of the general population can benefit 96% of those utilising childcare.

Secondly, affordability is but one barrier to families accessing early childhood education and care. A survey^{vii} of Australian parents not currently utilising paid ECEC indicates that, aside from cost, the top barriers to doing so include:

1. Beliefs and attitudes e.g. that there was no need for other childcare options as a parent, family member, or friend was available to provide care, as well as beliefs about better quality of care and parent-child bonds. This speaks to the lack of recognition of the developmental benefits of high-quality education and care especially among vulnerable families. **Beliefs and attitudes were a more frequently cited barrier than cost.**
2. 13% stated it was "too difficult to get a place" in paid care. This is a particular issue in areas deemed 'childcare deserts', defined as places where 1 childcare position is available for every 3 children. One third of Australian children live in childcare deserts^{viii}, again with these 'childcare deserts' "concentrated in city outskirts and regional and remote areas, where people tend to have lower incomes, less education, and fewer social and economic resources"^{ix}.
3. 13% stated that other options were not flexible enough/don't fit the days or hours needed.
4. 7% states that a child with additional or special needs were better accommodated or supported at home.

These figures compare to 36% of surveyed parents reporting that paid care options were too expensive or not affordable. It is noteworthy that vulnerable families – i.e. those who stand to benefit most from high-quality ECEC – are underrepresented in ECEC services including children living in remote areas, Aboriginal and Torres Strait Islander children, children from non-English speaking backgrounds, and children with a disability. Increasing participation in these groups requires consultation with families with lived experience to better understand and therefore address barriers to participation with ECEC. An excellent paper detailing the barriers to ECEC participation among Aboriginal and Torres Strait Islander families has been published jointly by Early Childhood Australia and SNAICC can be found in the references below^x.

Alternative investment options to consider include:

- Redistribution of funding to subsidise priority groups, where cost is known to be significant barrier to ECEC participation.
- Redirect funding to incentivise education and care facilities operating in childcare deserts.
- Redirect funding to incentivise service-level enrolment and attendance of children from priority groups (including low income, Aboriginal and Torres Strait Islander children, children with a disability, and children from a non-English speaking background).
- Redirect funding to address other barriers to engagement in high-quality ECEC among priority groups if these are found to be of greater impact than affordability.

ARACY broadly supports the Bill's purpose of increasing affordability to high-quality ECEC through an investment of \$4.5B over 4 years. However, ARACY notes that Schedule 1 disproportionately supports families with high and middle incomes, and those with single children, which could drive inequitable developmental outcomes. Furthermore, affordability is but one barrier to accessing care, with others including culture and attitudes, availability of care, flexibility of service hours, and meeting additional needs of children. ARACY therefore questions whether this investment may result in better developmental – and potentially long-term economic outcomes – if used to redress inequitable developmental outcomes and enhanced accessibility (including affordability) of high quality ECEC services.

Recommendations

ARACY broadly supports the Bill's purpose of increasing affordability to high-quality ECEC through an investment of \$4.5B over 4 years.

However, ARACY notes that Schedule 1 disproportionately supports families with high and middle incomes, and those with single children, which could enhance inequitable developmental outcomes. ARACY therefore recommends consideration of alternative avenues of investment that are better suited to redress inequity.

ARACY also notes that Schedule 1 limits improved accessibility to increased affordability, which does not address other barriers to ECEC participation such as suitability and flexibility of care, culture, and attitudes. ARACY therefore recommends consideration of alternative avenues of investment that enhance accessibility of ECEC more broadly, and that this is best achieved through consultation with families with lived experience.

Response to Schedule 2

ARACY understands that this Schedule requires large care providers (more than 25 centres) to report specified financial information and allows publication of this.

Recommendations

ARACY supports Schedule 2 and recommends including expanded inclusion criteria to include both number of service and annual revenue of large childcare providers (i.e. those with fewer than 25 centres but with an annual review above a specified cut-off).

Response to Schedule 3

ARACY understands that this amendment enables children of Aboriginal and Torres Strait Islander identity to receive 36 hours (3 days) of subsidised care per fortnight regardless of activity levels, with a means-tested gap fee to be charged.

Aboriginal and Torres Strait Islander children are about half as likely to participate in ECEC^{xi}. While this Schedule is an important step in increasing accessibility of ECEC services, cost is only one factor affecting accessibility (see Response to Schedule 1 above). Factors linked to participation in ECEC services specific to Aboriginal and Torres Strait Islander children include employment (lower participation when no one is employed), the cultural safety of services, and employment of local Indigenous staff^{xii}. Increasing ECEC participation among Aboriginal and Torres Strait Islander children requires consultation with Aboriginal and Torres Strait Islander communities so that investment adequately targets barriers to participation.

Recommendations

ARACY supports Schedule 3, noting that other contribute to ECEC participation among Aboriginal and Torres Strait Islander families and that these should be explored to enhance participation.

Response to Schedule 4

ARACY understands that this Schedule related to reduction of fraud. This is beyond our scope of expertise and therefore we provide no recommendations.

Response to Schedule 5

ARACY understands that this amendment permits childcare providers to offer a discount on childcare fees to staff engaged as educators, without this affecting the amount of CCS payable for the educator. ARACY supports this Schedule as a mechanism for attracting and retaining early childcare educators. However, this insufficient to meet the increasing demand for a high-quality ECEC workforce, nor address major deficiencies in remuneration.

Childcare workers have devoted several years studying a [Bachelor of Education \(Early Childhood\)](#), will be working in an Early Childhood Teacher role. Unlike all the other positions employed at a Childcare Centre (including the Centre Director), to [become an Early Childhood Teacher](#) you must possess a bachelor's degree. The starting salary for an Early childhood teacher is from \$46,782 per year (or \$900 per week), but will increase steadily as experience grows – up to about \$65,000 – \$70,000 per year^{xiii}. Compare this to a primary school teacher with **identical tertiary qualifications** employed by the Department of Education who will receive a starting salary of \$73 737 per year – a starting salary \$25 000 above the starting salary of an ECEC teacher, and several thousand above the salary of an experienced ECEC teacher^{xiv} (See Table 1).

Recommendations

ARACY supports Schedule 5 but acknowledges that far more substantial measures are required to address the increasing demand for a high-quality ECEC workforce and the need for remuneration that is fair and reflective of the importance of this service.

Figure 1: Survey results from Australian parents regarding their experience of paid education and care. Extracted from The Front Project. (2021). Work and play: Understanding how Australian families experience early childhood education and care. <https://www.thefrontproject.org.au>

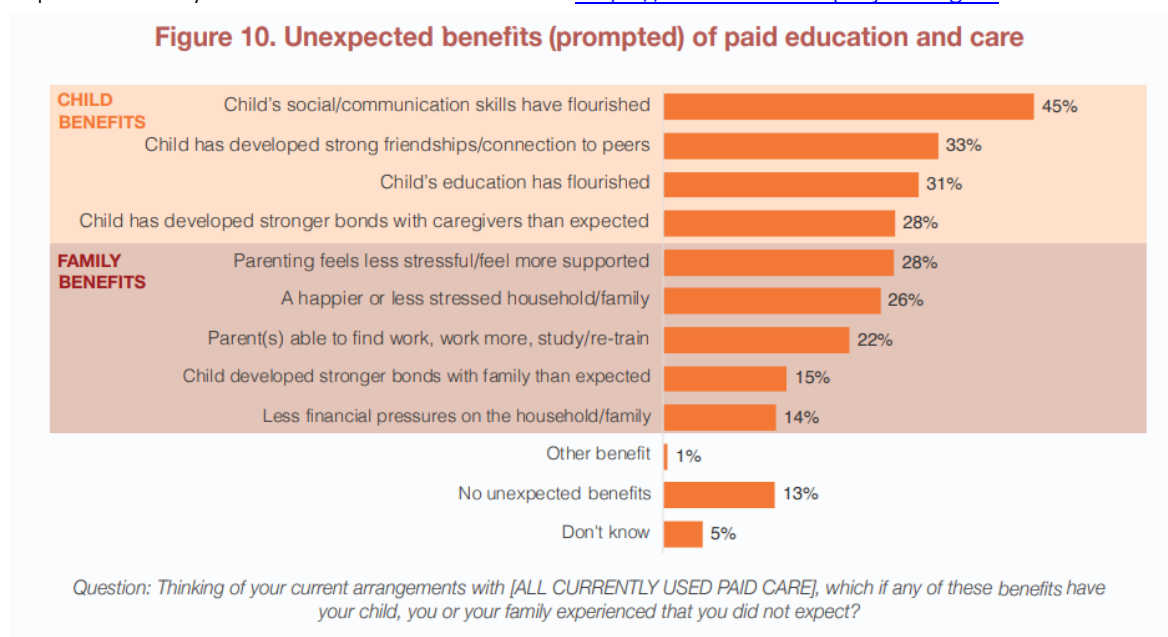


Table 1: Median starting salaries of bachelor degree graduates in first full-time employment and aged less than 25, by field of education and sector of employment, adapted from 2020, Salary Guide, Hays Australia and New Zealand. <https://education.nsw.gov.au/teach-nsw/explore-teaching/salary-of-a-teacher>

Early Childhood Teacher	Teaching (Dep. Education)	Accounting	Engineering	IT	Law	Psychology
46,782	\$73,737	\$47,000	\$82,000	\$65,000	\$60,000	\$60,000

References

ⁱ [Work and play: Understanding how Australian families experience \(thefrontproject.org.au\)](https://www.thefrontproject.org.au)

ⁱⁱ [Liz's poster](#)

ⁱⁱⁱ [Work and play: Understanding how Australian families experience \(thefrontproject.org.au\)](https://www.thefrontproject.org.au)

^{iv} [Bills Digest 21, 2022-23 - Family Assistance Legislation Amendment \(Cheaper Child Care\) Bill 2022. \(aph.gov.au\)](https://aph.gov.au)

^v [Bills Digest 21, 2022-23 - Family Assistance Legislation Amendment \(Cheaper Child Care\) Bill 2022. \(aph.gov.au\)](https://aph.gov.au)

^{vi} Extracted from Table 1.3 HOUSEHOLDS AND PERSONS BY INCOME RANGE, Australia, 2007–08 to 2019–20, Data Downloads, available at: <https://www.abs.gov.au/statistics/economy/finance/household-income-and-wealth-australia/latest-release#data-download>

^{vii} [Work and play: Understanding how Australian families experience \(thefrontproject.org.au\)](https://www.thefrontproject.org.au)

^{viii} [Liz's poster](#)

^{ix} <https://www.abc.net.au/news/2022-03-22/mapping-australia-s-childcare-blackspots/100894808>

^x [SNAICC-ECA-Discussion-Paper-Feb2019.pdf](#)

^{xi} [SNAICC-ECA-Discussion-Paper-Feb2019.pdf](#)

^{xii} [SNAICC-ECA-Discussion-Paper-Feb2019.pdf](#)

^{xiii} [Childcare Wages, Salaries & Pay Rates | Kinder Careers](#)

^{xiv} <https://education.nsw.gov.au/teach-nsw/explore-teaching/salary-of-a-teacher>