

FAMILY ASSISTANCE LEGISLATION AMENDMENT (CHEAPER CHILD CARE) BILL 2022

MINDEROO FOUNDATION SUBMISSION TO THE SENATE EDUCATION AND EMPLOYMENT STANDING COMMITTEE 21 OCTOBER 2022



ABOUT MINDEROO FOUNDATION

Established by Andrew and Nicola Forrest in 2001, Minderoo Foundation is one of Australasia's largest philanthropies, with AUD\$2.6 billion funds invested in philanthropic causes. Minderoo Foundation supports a range of initiatives, including eliminating childhood cancer, improving early childhood education, ending modern slavery, and driving accountability and responsibility for global overfishing, plastic pollution, improving gender equity, global warming, and the tech ecosystem. Through a collaborative, evidence-based approach we strive to solve major challenges through our key initiatives.

INTRODUCTION

The Senate Education and Employment Legislation Standing Committee (**Committee**) has been requested to conduct an Inquiry into the Family Assistance Legislation Amendment (Cheaper Child Care) Bill 2022 (**Legislation**) and report by 16 November 2022.

This submission draws from research and evidence accessed and supported by Minderoo Foundation focused on improving early childhood development. We have provided information for each schedule which is below. We have chosen to provide general commentary about each schedule in the Legislation, rather than a detailed analysis of each amendment or sub-section.

SCHEDULE 1 – RATE OF CHILD CARE SUBSIDY (CCS)

Minderoo Foundation supports Schedule 1 of the Legislation to improve the rate of CCS that Australian families are entitled to receive.

The Government is commended for its commitment to making child care cheaper by increasing the maximum CCS rate to 90 per cent for families, detailed in Schedule 1 of the Legislation. If families can access more affordable, high-quality child care, this has benefits, for children, their parents and the economy.

Economic, social and developmental science evidence supports the provision of universal and high-quality early childhood education and care (ECEC). This is because of its impact on children's development (greater benefits for children from disadvantaged backgrounds), the wellbeing of the population, and the ability of parents to work (which in turn provides more family resources to support child development).

Formal and informal ECEC services play a vital role in the development of Australian children. It can improve children's cognitive and non-cognitive outcomes. High-quality early childhood education is robustly associated with positive outcomes at school entry. Disadvantaged children stand to gain the most from high quality ECEC¹.

Affordable child care is important for gender equity and the economy. It supports parents, particularly women, participate in work, education or training. If parents have access to affordable high-quality care for their children, then they can enter the workforce or increase their working days. This improves household budgets, provides women with choices and has broader benefits for the economy. Affordable child care is key to the

¹ A review of the effects of early childhood education. Government of NSW. 2018

Government achieving its goals of boosting productivity, ensuring women have equal opportunities and equal pay, addressing skill shortages and maximising job opportunities for the care economy.

To add weight to arguments for the provision of affordable child care, a recent survey found that many families make significant financial sacrifices to put their children into ECEC. A similar proportion found the system of subsidies difficult to understand, and the costs of services opaque. Most strikingly, almost three-quarters of parents said the cost of education and care was a barrier to having (more) children².

Given the current crisis in child care provision and workforce shortages, the Government should bring the commencement of Schedule 1 of the Legislation forward to early 2023.

Minderoo Foundation supports the existing measure that provides a higher CCS rate to families with multiple children aged five or under in care being retained, as explained in the Explanatory Memorandum for the Legislation.

SCHEDULE 2 - TRANSPARENCY IN THE CHILD CARE SECTOR

Minderoo Foundation supports Schedule 2 to the Legislation to uplift transparency in the child care sector and acknowledges this will equip families with more information about the child care services they access; and provide the Department of Education with visibility over the financial health of all large providers operating within the child care sector.

The conclusive evidence for the need for better transparency in the sector was demonstrated during the COVID pandemic. The Government had to provide a financial rescue package for the child care sector, without full information about the full financial circumstances of child care service providers. Normal funding streams were suspended, grant payments were made to providers, and Jobkeeper deployed to keep staff employed. Further, the COVID pandemic demonstrated that ECEC is an essential service to keep Australian families and organisations functioning, again reinforcing the need for the Government to have better information about the child care sector.

The COVID pandemic was the second time the child care sector had to be rescued by the Government in recent years; the other being the collapse of ABC Learning in 2008. Again, this may have been avoided if the Government had improved transparency of large child care providers at the time.

As you would be aware, the Government will commission the Australian Competition and Consumer Commission to examine why child care costs and out-of-pocket expenses are rising so much and recommend ways to ease the financial burden on families. The Committee may wish to consider *

Schedule 2 in the Legislation will be an important long-term mechanism to monitor child care costs, and ensure the Australian public is achieving a maximum return for the Governments investment in child care.

Note: Minderoo Foundation believes that a wider review of the funding and delivery of the child care sector is required, other than just the transparency provision in the Legislation. The recent announcement by the National Cabinet that they will work together on the long-term vision for the child care sector is welcomed. All options for improving reforming the sector (including transparency), and ensuring government funding is equitably distributed to all Australians is paramount to National Cabinet deliberations. Radical reform should be considered.

² Work and Play: Understanding how Australian families experience early childhood education and care. The Front Project (2021).

SCHEDULE 3 - 36 SUBSIDISED HOURS OF CHILD CARE PER FORTNIGHT FOR FIRST NATIONS CHILDREN

Minderoo Foundation supports Schedule 3 of the Legislation to provide 36 hours of child care per fortnight for First Nations children.

First Nations children are twice as likely to be vulnerable on entry to school than non-indigenous children³ and First Nations families face significant challenges in accessing child care.

Minderoo Foundation recently partnered with Impact Economics to review the Activity Test for access to CCS⁴. The Review found that the Activity Test to access CCS:

- Disproportionately impacts many First Nation people, low-income families, and those living in outer regional and remote communities. First Nations and Torres Strait Islander families are over five times more likely to be limited to one day of subsidised child care per week.
- Contributes to poor employment outcomes and affects the care economy. The Activity Test was designed to encourage participation in the workforce but in regional and remote settings it does the opposite by creating significant uncertainty for many parents.
- Can be problematic for those in casual employment because of the ongoing risk that some weeks they will fail to meet the Activity Test and generate overpayment debts.

While the Activity Test has been a long-term feature of the child care system, the 2018 Child Care Package cut the minimum amount of care that low-income families are entitled to from two days to one day per week, and this has resulted in a 42,000 drop in the number of families receiving the minimum entitlement. Vulnerable family groups (including many First Nation people), when compared to families earning over \$200,000 per year⁵.

First Nations people face other barriers in accessing child care. The Childcare Deserts and Oasis Report⁶, recently completed by the Mitchell Institute, demonstrated about nine million Australians, 35% of the population, live in neighbourhoods where there are not enough child care centres to meet the needs of families. The report showed that families in outer regional, remote and low-income communities are the ones most impacted, which in turn impacts First Nations people that are over-represented in these areas. Guaranteeing thirty-six subsidised hours of child care per fortnight for First Nations children, regardless of activity levels, will assist in improving access of First Nations children to child care.

Minderoo Foundation recommends abolishing or simplifying the Activity Test for all families to access the CCS.

This would provide a foundation for future reform that delivers universal ECEC for every Australian child. We believe that the costs of abolition or simplifying the Activity Test today will be recouped in improved outcomes for disadvantaged Australian children and increased participation of parents in paid work.

SCHEDULE 4 - MEASURES TO REDUCE FRAUD WITHIN CHILD CARE

Minderoo Foundation supports the Schedule 4 of the Legislation to reduce fraud within the child care sector.

The Government invests \$8.6 billion in child care annually. It is appropriate that the Government takes all measures possible to maximise the Government's investment to improve access to child care for all families.

³ AEDC 2021 Report

⁴ Child Care Subsidy Activity Test: Undermining Child Development And Parental Participation. 2022. Impact Economics

⁵ Child Care Subsidy Activity Test: Undermining Child Development And Parental Participation. 2022. Impact Economics

⁶ Mitchell Institute 2021. Deserts and Oasis: How accessible is child care in Australia? <https://www.vu.edu.au/mitchell-institute/early-learning/child-care-deserts-oases-how-accessible-is-child-care-in-australia>

Note: The Government in its election commitment promised \$5.4 billion to enact its cheaper child care reforms. However, explanatory notes accompanying the Legislation states that the 'total costs of the measures included in the Legislation are expected to be around \$4.5 billion over four years from 2022-23, taking into account the savings that will be provided by the increased integrity measures included in the Legislation'⁷.

This leaves a gap of \$900,000 between the Government's election commitment and the cost of the reforms. The ECEC workforce is facing significant challenges, with high turnover, staff shortages and stress. The shortage of qualified educators and teachers is forcing the closure of rooms and in some cases entire ECEC services. Minderoo Foundation recommends that the \$900,000 committed but not required to introduce the reforms be used to support the early childhood education workforce to ensure Australian children get the best start in life.

5 - PERMISSION FOR CHILD CARE PROVIDERS TO OFFER A DISCOUNT ON CHILD CARE FEES TO STAFF ENGAGED AS EDUCATORS.

Minderoo Foundation supports Schedule 5 to the Legislation that makes amendments to permit child care providers to offer a discount on child care fees to staff engaged as educators, without this affecting the amount of CCS payable for the educator.

As described above, the ECEC sector is facing a workforce crisis. Early childhood Educators wages have remained stuck in the lowest income quartile, a significant contributor to the workforce crisis. There are currently over seven thousand vacancies⁸ in the child care sector across Australia – double the pre-pandemic number of vacancies.

Any measure, such as permitting child care providers to offer a discount on child care fees for staff involved as educators is welcomed.

ENGAGEMENT WITH THE COMMITTEE

Thank you for the opportunity to make a submission to this Inquiry.

Minderoo Foundation would welcome the opportunity for further engagement with the Committee.

Please contact Jay Weatherill, Director, Thrive By Five | if you have any queries with this submission.

⁷ Family Assistance Legislation Amendment (Cheaper Child Care) Bill 2022. Explanatory Memorandum

⁸ National Skills Commission data. Monthly Reports.