

BCA

Business Council of Australia

Advancing Women in the
Workforce

Senate Education and
Employment Legislation
Committee Inquiry into Family
Assistance Legislation
Amendment (Cheaper Child
Care) Bill 2022

October 2022



1. Overview

This is the Business Council of Australia's (BCA) submission on the provisions of the Family Assistance Legislation Amendment (Cheaper Child Care) Bill 2022 (the Bill).

Recommendations

1. The BCA supports the amendments in the Bill and recommends their passage by the Parliament in a timely way.
2. We propose the Productivity Commission (PC) examine the following as part of their comprehensive review of Early Childhood Education and Care (ECEC):
 - complexity of current taper rates, the subsidy and affordability of the child care system
 - levels of investment required to deliver a quality and seamless system;
 - the role that these two systems play in a child's development and consideration of universality of access;
 - flexibility of the current systems for the modern family, with a focus on supporting non-standard working arrangements;
 - the practicalities of a move to a system of early childhood development and its intersection with the primary school education system including assessment of demand pressures and supply constraints;
 - best approaches to address workforce issues without causing supply constraints and pricing spikes;
 - the quantum of service delivery that optimises children's early years development and by extension the investment requirement to meet future demand;
 - reorientation of current investment in ECCC to deliver maximum results for children and their families, particularly around access and affordability;
 - assess status of previous recommendations and determine which should be implemented; and
 - underpinning the service system with a clear, sustainable, regulatory, planning and funding framework including analysis of transferring responsibility to State Government as recommended by New South Wales and under consideration by South Australia.

2. Why the Bill is needed

The BCA is pleased to support the provisions of the Bill. As outlined in Minister Clare's Second Reading Speech, our economic growth, competitive advantage and future prosperity rests on our capacity to address workforce participation issues.

Increasing the workforce participation of women is one of our nation's biggest economic and social opportunities.

The provision of an affordable and accessible and quality child care system is fundamental to that goal. It plays a critical role in decisions about workforce participation and the ability of women to progress and advance in their careers. Equally, ensuring we are maximising our talent and empowering future generations to participate and advance in the workforce will be central to our nation's success.

The evidence clearly shows the impact of moderate to high level access to early childhood services on a child's development and by extension their subsequent success at school and trajectory into higher education attainment, employment and career progression.

These foundation years are critical to future success: not only for the individual but for the economy as a whole.

The BCA believes a comprehensive approach is needed to improve the child care system: addressing the barriers to participation such as affordability and the complexity of the system as well as ensuring children are adequately supported at a critical stage of their development.

The Bill together with the PC's review of the early education and child care sector and the Australian Competition and Consumer Commission's (ACCC) review of child care costs will go a long way towards achieving this comprehensive approach.

The BCA believes the following principles should guide reform in ECEC:

- A world leading, integrated early childhood service delivery from birth to school.
- The system must be accessible and affordable and deliver a world class learning environment including for curriculum and pedagogy.
- Invest in a skilled early childhood workforce that elevates the profession to attract and retain the best and brightest.
- Elevate the early childhood system on the national agenda and create arrangements across jurisdictions that are cohesive, evidenced based and family centric.

The BCA commends the Government's investment in the early childhood development. It is an important economic reform.

3. Key provisions of the Bill

The Bill will make the following amendments to existing legislation:

- Increase the level of Child Care Subsidy (CCS) for families thereby improving affordability;
- Better access to early childhood education and care with a particular emphasis on First Nations children;
- Measures to improve transparency and accountability of providers;
- Improvements to the payments systems

Schedule 1 of the Bill sets out the increase in subsidies for families and reflects long-standing BCA policy in favour of this provision.

The cost, quality and availability of child care plays a critical role in decisions about workforce participation and the ability of women to progress and advance in their careers.

Until now government has rightly focussed on a child care subsidy providing for a well targeted system that provides support in a transparent fashion.

This is consistent with the way our nation has tended to target or means-test large services. However, a range of second order problems have emerged namely, the complexity of the system, the taper rates and income testing cut-offs. The interplay of these factors can be a deterrent for women to work and an artificial barrier to advancement in the workforce.

The subsidy measures in the Bill commence on 1 July 2023. The BCA supports this measure. As outlined in this paper, this is an important reform with large benefits to workforce participation. Consequently implementation of the subsidy model will benefit from the work of the ACCC particularly in relation to optimising the cost structures within child care and allow for necessary work to be done to address immediate workforce shortages in the sector which are acute.

Ideally the implementation of the subsidy would also benefit from the work of the PC. A systemic issue in childcare remains the high out of pocket expenses, combined with other tax and welfare settings, that continue to almost pre-ordain working arrangements for families in a manner that are counterproductive to them as individuals and the economy more broadly. Relatedly, increases in childcare demand will create supply side and pricing issues. It is essential that these cost structures are understood in order to ensure the viability of the subsidy scheme in the long term.

Schedule 3 of the Bill also introduces measures to provide additional support for Indigenous families and the BCA notes the support for these measures from peak Indigenous agencies such as the Secretariat of National Aboriginal and Islander Child Care. These are vital reforms that are fundamental building blocks for a unified and prosperous society where every Australian is given the opportunity to realise their full potential.

The remaining schedules of the Bill relate to measures designed to improve the transparency and integrity of the early childhood education and care sector and are welcomed.

4. Child care that supports modern families and the Australian economy

We believe that a modern child care and early childhood development system must reflect the needs of a modern family. Importantly it must reflect the needs of a 21st century economy.

However, there are a range of factors mitigating against achieving the ambition of delivering a world class early childhood service system. The current system is fragmented. Access to quality service delivery is location based with inner metropolitan areas better serviced than outer metropolitan and regional settings. Also, the interaction and intersection between services is patchy as the service system is operated by three levels of government.

If we don't address these issues, we will continue to run up against supply constraints and create problems of price hikes and shortage of places making it difficult to set the reform agenda needed to create a 21st century service system that is responsive to the needs of modern families.

As part of his Second Reading Speech, Minister Clare noted further action by the Federal Government which includes:

- An inquiry into child care costs by the ACCC with an interim report due on 1 July to guide the implementation of this legislation and a final report due at the end of 2023;
- A comprehensive review of the early education and care sector by the PC with a final report due in 2024.

The BCA is pleased to work with the Federal Government to support the work of these inquiries.

5. Productivity Commission to investigate child care and the early childhood learning system

As a nation we should be moving towards an early education development model which recognises the fundamental importance of the first five years of a child's development. If Australia moves to an early childhood education system that, consistent with the public school system, is universal and free, then this has implications for interaction with the child care system which is not.

For this reason, the BCA is on the public record recommending that the Productivity Commission is tasked to undertake a comprehensive review into the relationship between the child care and early childhood systems and their intersection with primary school education.

- The objective of the review would be to consider universality in child care and maximise flexibility to suit the needs of modern families, especially in a post-COVID work environment, while also optimising children's learning and development. As part of this, an immediate examination of the complexity of current taper rates, the subsidy and affordability of the child care system.
- This work should examine the productivity gains associated with colocation of child care, preschool and primary school, and streamlining regulations, as well as funding and financing models.
- A final report should contain a roadmap of reform that supports the concept of an early years guarantee for children and their families, including recommendations on the quantum of that service delivery.
- The Productivity Commission should examine the utility of transferring responsibility for the early childhood and child care system to the States given their overarching responsibility for the school system. This may include consideration of what elements of other service systems the States transfer back to the Commonwealth e.g. NDIS.

Additionally, it would now be timely to revisit the PC's previous recommendations, assess the impact of those that were implemented (including the CCS) and reconsider whether those that have not yet been actioned should now be prioritised.

Finally, the National Quality Framework (NQF) commenced in 2012 and incorporates a reasonably consistent legislative and regulatory structure governing the ECEC sector. However, there can be significant differences in the requirements of the respective state and territory regulators when they are assessing compliance with the nationally applicable law and regulations.

The Government should consider tasking the Productivity Commission with examining the impact that the regulators' approach has on the ECEC providers. Where this assessment was able to identify efficiencies that could be achieved in evidencing compliance, or opportunities for enhancing consistency in the regulatory approach across the respective agencies, this would reduce the sector's cost of delivery and benefit consumers.

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