



Submission to Senate Education and Employment Committees

Family Assistance Legislation Amendment (Child Care Measures) Bill (No. 2) 2014

24 July 2014

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C&K's Submission

C&K thank the Senate Education and Employment Legislation Committee for the opportunity to make a submission regarding the proposed Family Assistance Legislation Amendment (Child Care Measures) Bill (No. 2) 2014.

C&K **do not support** the Government's proposal to amend the *A New Tax System (Family Assistance) Act 1999* to maintain the child care benefit income thresholds at the amounts applicable as at 30 June 2014, for a further three years. Maintaining income thresholds will compromise affordability, forcing families to make difficult decisions regarding accessing early childhood education and care services. If families decide to remove their child(ren) or reduce the number of days their child(ren) are attending early childhood education and care services this will have a negative effect for:

- **Children** – every child deserves access to high quality early childhood education and care, affordability must not be the barrier that stops this. Research highlights the critical importance of Universal Access and the benefits to children who have participated in a preschool program in terms of success at school and lifelong learning. With a significant increase in the number of children accessing C&K services with behavioural and emotional concerns, disabilities, complex medical needs or children from a child protection background, more support is required, not less. It is vitally important that the Government support the National Quality Agenda to provide the best outcomes for all Australian children in the critical years of learning.
- **Government** – maintaining income thresholds may save the Government \$230 million over three years. Short term savings need to be weighed up against the impact on children and families and long terms gains from maintaining investment in quality child care and early learning. Parents will not be able to afford the out-of-pocket expenses for childcare and are likely to choose to remove their children from the services. They could also reduce their working hours which will adversely impact on productivity resulting in lost taxation revenue and in increase in family assistance subsidies.
- **Service providers** – maintaining income thresholds for three years equates to a decrease in funding available for children and families given the rising cost of living. Utilisation of services may decrease forcing service providers to increase fees, reduce service provision or even close services. This situation could result in increased unemployment and the associated increase in costs to government.

The Government has identified estimated savings of \$230 million by maintaining the child care benefit income thresholds at the amounts applicable as at 30 June 2014 for a period of three years. C&K request the Government investigate alternative options, including the simplification of the child care benefit system. The current child care benefit system is “very complex”¹, resulting in high administrative costs for both Government and service providers.

¹ Parliament of Australia / Susan Ley. 2014. SECOND READING, FAMILY ASSISTANCE LEGISLATION AMENDMENT (CHILD CARE MEASURES) BILL (NO. 2) 2014. [ONLINE] Available at: http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=BillId_Phrase%3A%22r5301%22%20Dataset%3Ahansardr,hansards%20Title%3A%22second%20reading%22;rec=0. [Accessed 03 July 14].



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To this end, C&K congratulates the Government on requesting the Productivity Commission undertake an Inquiry into Child Care and Early Childhood Learning, and we welcome the recent draft report. C&K therefore requests the Government aligns reforms of the childcare environment by postponing decisions around the child care benefit income thresholds until their consideration of the Productivity Commission's recommendations. The Productivity Commission estimates their recommendations would add an additional \$5.5 billion to GDP. This would appear to be a higher-order priority than the estimated savings of \$230 million to be made by maintaining the child care benefit income thresholds at the amounts applicable as at 30 June 2014 for a period of three years.

The significant risk of continuing with the move to maintain income thresholds is that families will decide to remove their child(ren) or reduce the number of days their child(ren) are attending early childhood education and care services.