



A Mid-Year Economic Fiscal Outlook

Submission

July 2021



#BestStartInLife

The page features decorative geometric shapes in the top right and bottom right corners. The top right corner consists of several overlapping trapezoidal shapes in light blue, magenta, teal, yellow, red, and light blue. The bottom right corner features a green trapezoid above a red one, which is adjacent to a magenta and a dark blue trapezoid.

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Introduction

The Australian Early Childhood Education and Care (ECEC) sector has been the bedrock of the Australian economy through even the harshest lockdown.

As the national peak body, the Australian Childcare Alliance (ACA) represents more than **2,500 early learning services**, who have kept their doors open to safely educate and care for more than **360,000 families** throughout the worst of this terrible global health crisis.

We have stood shoulder-to-shoulder with the Australian Government in developing urgent economic solutions that have effectively saved the sector from imminent collapse.

We are deeply heartened that our most immediate priority of protecting our children and educators and keeping our parents on the emergency and health frontline was successfully addressed by the Australian Government's ECEC Relief Package and the Transition Payments.

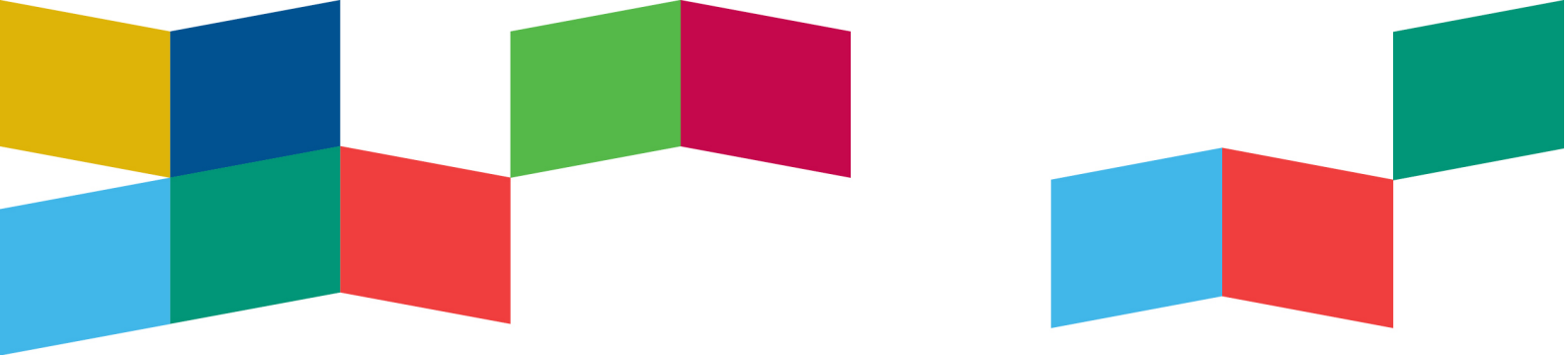
As a result, throughout the year of 2020 our sector has avoided collapse and even now – as COVID-19 rears again across multiple states, our members continue to provide a safe haven for Australia's many children and families who relied on our ECEC services.

On behalf of our families and our educators, we applaud the Prime Minister, the Hon Scott Morrison MP, the Treasurer, the Hon Josh Frydenberg MP, the then Education Minister, the Hon Dan Tehan MP and now his successor, the Hon Alan Tudge MP for their **tremendous collective leadership and commitment to work with us** closely to identify and address any unintended consequences of the funding models.

Whilst our services still battle through the economic ravages of this terrible pandemic, we need to turn our attention to the future, to ensure more women can return to the workforce and that they can do so in the knowledge their child is being cared for and nurtured by the best educators employed within a sustainable, high quality and affordable ECEC service. This is the true face of economic security for women. Not just women in the cities but women across regional and remote Australia.

The Australian Government has recognised this with its recent budget commitments to better support families with multiple children in ECEC services. This is absolutely the right step but now we need to ensure **all families** – including those with only one child in early learning – to have equitable and affordable access.

We also need to ensure no child is forced out of their beloved ECEC service, simply because there is a critical shortage of educators to care for them. This submission addresses both of these vitally important issues and further, we recommend one simple and effective step that the Australian Government can take now to ensure **no disadvantaged child falls through the cracks**.



If one needs any further evidence of just how critical a strong and sustainable ECEC service is to the economic health of this nation, one only needs to read the Treasurer's recent **2021 Intergenerational report: Australia over the next 40 years**¹

It identifies long term fiscal ramifications from its predicted lower immigration rates, lower fertility rates and women delaying having children, and having fewer of them. Importantly, the report underscores how intrinsically linked government support for child care is to the rapid increase in workforce participation by mothers.

The report supports our long-held belief: the health and developmental advantages of early learning to all of Australia's young children are now needed **more than ever**, and the long-term benefit back to our economy is exactly what our policy makers need to focus on.

ACA is extremely proud of our work in supporting the early learning sector through this terrible COVID-19 crisis.

We will continue to work with the Australian Government to support its economic recovery plan and ensure that **all Australian families**, including those who are essential workers and/or from disadvantaged and vulnerable backgrounds, can continue to access our ECEC services.

ACA commits this **Mid-Year Economic Fiscal Outlook (MYEFO)** submission for your consideration. With its adoption by Government, we can all ensure that **every child in Australia** has access to high-quality, affordable and sustainable early learning services, and therefore, every child will have the **best start in life**.

Paul Mondo
President



¹ 2021 Intergenerational Report: Australia over the next 40 years, Department of Treasury - https://treasury.gov.au/sites/default/files/2021-06/p2021_182464.pdf



Child Care Subsidy:

Affordability & why our most vulnerable children need support

ACA greatly applauds the Australian Government's recent reforms which provide \$1.7 million additional funding for Australian families with young children via boosting the Child Care Subsidy (CCS), plus a further \$2 billion to extend preschool funding over the next four years.

We believe the removal of the annual CCS cap for many families and the increased support for multiple-child families will allow for greater work options for parents through more affordable early learning (child care) services. We would like to see this change introduced as soon as possible to allow families to benefit immediately.

Additionally, the Australian Government's long-term commitment to preschool funding beyond year-to-year agreements, to support preschool (kindergarten) programs delivered in all settings including long day care is a **positive outcome** that will allow Australia's youngest children to reap the rewards of attending quality preschool programs for years to come. Extending the preschool CCS exemption to three-year-olds will further enhance early learning opportunities for Australian children.

In 2020 the impact of COVID-19 emphasised the **pivotal role** the early learning sector plays in supporting Australia's workforce participation, with early learning (child care) services deemed as an **essential service**.

Additionally, the **positive long-term benefits** for those children attending high-quality Early Childhood Education and Care (ECEC) are now well recognised locally and internationally.²

Affordability of child care is one of the **key factors** in allowing working parents to return to work and help rebuild the Australian economy. Whilst the recent reforms significantly improve outcomes for those targeted families, we believe there remain opportunities to further enhance the overall affordability of early learning (child care) services for families.

REMAINING BARRIERS TO AFFORDABILITY

- Activity test knocks out many vulnerable families with young children who **do not qualify for a minimum level of subsidised access** due to their work/life situation.
- Out of pocket child care costs create a **financial disincentive** for parents across **all family income levels** to increase their work hours or return to work³, with **women's workforce participation suffering the most**.

² Academic Research: The benefits of early learning and a play-based environment - <http://beststartinlife.org.au/wp-content/uploads/2019/02/References-Best-Start-In-Life-Academic-research.pdf>

³ KPMG Report - The Child Care Subsidy: Options for increasing support for caregivers who want work - <https://assets.kpmg/content/dam/kpmg/au/pdf/2020/kpmg-child-care-subsidy-report.pdf>

- Excessive red tape and long, drawn-out application processes make it difficult for **disadvantaged and vulnerable** families to access the financial support available to them.
- **ACCS Transition to Work** initiative **not widely known about** by those families who need it.

THE SOCIAL & ECONOMIC BENEFITS OF INVESTING IN AUSTRALIA'S EARLY LEARNING SECTOR ARE CLEAR

- Greater workforce participation and increased productivity from both parents of young children, particularly working mothers.
- Annual benefit to GDP from increasing the CCS would exceed the additional expenditure⁴ (net of additional income tax receipts) by almost 40 percent.
- Highly effective spend of taxpayers' dollars⁵, with long term capital savings through a lower spend on human services by Government in the future⁶:
- Every dollar invested on high-quality, birth-to-five programs for disadvantaged children delivers a 13% per annum return on investment. These economically significant returns account for the welfare costs of taxation to finance the program and survive a battery of sensitivity analyses⁷.
- A stronger, more viable early learning sector.

⁴ KPMG Report - The Child Care Subsidy: Options for increasing support for caregivers who want work -

<https://assets.kpmg/content/dam/kpmg/au/pdf/2020/kpmg-child-care-subsidy-report.pdf>

⁵ Economic Analysis - Investing in early childhood education doubles the return to Australia, The Front Project -

<https://www.thefrontproject.org.au/economic-analysis>

⁶ A Smart Investment for a Smarter Australia: Economic analysis of universal early childhood education in the year before school in Australia, The Front Project June 2019 - https://www.thefrontproject.org.au/images/downloads/ECO_ANALYSIS_Full_Report.pdf

⁷ The Heckman Equation - <https://heckmanequation.org/resource/research-summary-lifecycle-benefits-influential-early-childhood-program/>

THE SOLUTIONS

We call on the Australian Government to support **all families** by:

- Introducing the removal of the annual cap on the amount of CCS that can be paid for families with incomes above \$189,390 **prior to 1 July 2022**.
- Ensuring that the **CCS rate of 95%** applies to **all children**, whilst maintaining the loading of up to 30% to a maximum of 95% for any additional children.
- Amending the CCS activity test to support all Australian children, allowing **all families access to at least 18 hours a week** of subsidised high quality, affordable early learning services.
- Ensuring that the up to 30% CCS increase for the second (or more) child attending an early learning service still applies when the first child has progressed to an OSHC setting.
- Ensuring that the ACCS Transition to Work funding support applies to families with an income up to \$100,000 p.a. and is more widely promoted to those who qualify.
- Introducing a low-cost model for disadvantaged and vulnerable families that doesn't involve the stigma and legal implications of the Additional Child Care Subsidy (ACCS) (Child Wellbeing).
- Allowing for more flexibility for ACCS (Child Wellbeing) to reduce the burden of providing evidence for vulnerable families.
- Introducing a new category within ACCS (Child Wellbeing) which would allow an immediate, efficient response to local emergencies such as bushfires, floods or other relevant circumstances in a targeted way.
- Extend exemption of the **Child Care Subsidy activity test** for children in their year before school to children in their **two years before school**.

Investing in Australia's ECEC workforce: Addressing critical shortage of qualified job candidates

The Early Childhood Education & Care (ECEC) sector is **struggling** to meet the demand for well trained, competent early childhood educators and Early Childhood Teachers, with **not enough entrants** into the sector to meet the demand.

The situation has been further amplified:

- by the growing issue of **new centre builds**, particularly in geographic areas that are already experiencing low occupancy and struggling to find appropriately qualified, job-ready staff.
- by the current **COVID-19 climate** - many experienced educators in the older age cohorts **left the sector** as their age put them in the high-risk category.
- in **rural and remote areas**, where population size is an additional barrier to finding suitable candidates.

Sourcing Early Childhood Teachers (ECT) is an **ongoing problem Australia-wide**, with undersupply, exacerbated by the 2020 NQF requirement for an additional ECT for centres with over 60 children plus an increase in 3-year-old participation.

The Department of Education, Skills and Employment (DESE) predicts that Australia will need around **14,200 Early Childhood Educators and Teachers by 2023**⁸.

Meanwhile the recent National Skills Commission's Skills Priority List indicates a national shortage of both child care workers and Early Childhood (Pre-primary School) Teachers, with strong and moderate future demands respectively⁹.

Across the board, there is a shortage of Cert III, Diploma and degree-qualified ECEC candidates¹⁰.

This problem will **continue to grow** unless effectively addressed.

Without early childhood educators, **Australians families risk missing out on early learning (child care) places for their children** as strict educator-child ratios must be adhered to, regardless of a workforce shortage.

It is in this context, that ACA acknowledges and commends the Australian Government's recent extension of funding dedicated to the **Boosting Apprenticeship Commencements (BAC)** scheme. To

⁸ Labour Market Information Portal - <https://lmip.gov.au/default.aspx?LMIP/GainInsights/EmploymentProjections>

⁹ 2021 Skills Priority List, National Skills Commission - <https://www.nationalskillscommission.gov.au/2021-skills-priority-list>

¹⁰ Jobs In Demand – Dashboard as at 3 July - <https://www.nationalskillscommission.gov.au/resource-centre/latest-data>

date, we know that this wage subsidy initiative has greatly assisted many early learning services to build a sustainable workforce with adequately qualified staff whilst supporting the local community.

We also applaud the Australian Government's commitment to extend the **JobTrainer** program, allowing a further 450,000 funded training places for jobseekers, particularly young people. We believe the commitment to increasing available training places is a powerful start to addressing the problem.

However, we know that the critical issue of recruiting adequately qualified and competent staff will remain a problem for our sector, and needs to be addressed via numerous mechanisms.

ACA believes there is more work to be done to **attracting jobseekers** to the early learning sector.

We believe **incentivising candidates** to enter the sector and build on their qualifications would greatly assist this issue. This could be done through initiatives that fast track the study requirements, decrease the costs to students, and also maximise the workplace benefits.

By way of example, the Victorian Government has introduced a range of initiatives to attract candidates to the early learning sector. This includes a government-funded incentives¹¹ for jobseekers to enter the early learning workforce, a website¹² which promotes the benefits of working in the sector and provides clear guidance on the available options for study, along with a jobs board, which allows a central point for employers and jobseekers to connect.

Victoria's Deakin University also offers an accelerated Bachelor of Early Childhood Education which enables 76 Victorian educators to upskill to become an early childhood teacher in 18 months, instead of the usual 3 years¹³.

ACA highly recommends the introduction of a **nationally available** fast-track degree program to rapidly upskill early childhood educators to the degree qualification level of early childhood teacher in a period of 18 months, instead of the usual three years.

We also recommend funding support to **reduce the student costs** to undertake the most relevant courses such as the Bachelor of Education (Birth to Five Years). Further incentivising this degree will ensure that these teachers remain committed to the ECEC sector and avoid leakage to primary schools.

Meanwhile for **regional** ECEC services to have any chance to be competitive and maintain places for their children, we recommend waiving the HECS-HELP fees for graduates who then commit to working with ECEC services in regional and remote regions for a period of **no less than three years**.

This could work in a similar way to the existing programs set up to attract and retain doctor graduates in regional and remote areas. For example, the Bonded Medical Program was established in 2001 and

¹¹ New Financial Incentives To Boost Early Childhood Jobs - www.premier.vic.gov.au/new-financial-incentives-boost-early-childhood-jobs

¹² Victorian Government Vocational website for early learning - https://www.vic.gov.au/make-difference-early-childhood-teaching?gclid=Cj0KCQjw5auGBhDEARIsAFyNm9ECCWnceOcir7SiYqoJIPDeP3Q_aUxaCflyhcRIDBZ5SRlqBsfrVgsaAryMEALw_wcB#study-options-near-you

¹³ Deakin University Accelerated Early Childhood Education Program - <https://www.deakin.edu.au/study/find-a-course/education-and-teaching/accelerated-early-childhood-education-program>

is a critical component of the Australian Government's *Stronger Rural Health Strategy* to ensure that the Australian trained medical workforce is well-distributed, flexible and targeted to areas of most need.

The Program provides students with a Commonwealth-supported place at an Australian university. In exchange for the place, bonded participants agree to work in an eligible regional, rural and remote area for a specified period once they have completed their medical degree. This work is known as their Return of Service Obligation (RoSO). From 1 January 2020, these two schemes were closed to new participants and a new reformed Bonded Medical Program (the 'Program') arrangement came into effect. The Department of Health has refreshed the Program to provide greater support for bonded students and doctors.¹⁴

ACA believes further incentives such as maximising the **workplace benefits** in the early learning sector could also help attract candidates. For example, the opportunity for employees to access fringe benefits such as salary sacrifice in relation to their own child care, leasing of cars or electronic equipment would provide them with valuable personal benefits whilst lowering their income tax threshold.

Finally, we would strongly support a **national education campaign** to outline the incentives listed above, along with the various **career pathways and opportunities** available to early childhood educators and Early Childhood Teachers **beyond** their entry role. This would include relevant information to help candidates research their study options and seek the financial assistance available.

In terms of training needs for the early learning workforce, ACA would also recommend a funding program that allows all educators to take time away from their duties to undertake the **Be You** training modules, which would assist them to identify children at risk of mental illness and support the wellbeing of the children (and their families) in their care (including funding to backfill the staff while training).

ACA believes that addressing the undersupply of qualified job candidates would not only benefit the early learning sector - it would also serve the dual purpose of providing strong, stable employment opportunities, particularly for women, who have been dramatically affected by the COVID pandemic.

¹⁴ Bonded Medical Resources, Department of Health - <https://www1.health.gov.au/internet/main/publishing.nsf/Content/reformed-bonded-programs-resources>

THE SOLUTIONS

We call on the Australian Government to:

- Continue funding the Boosting Apprenticeship Commencements (BAC) scheme beyond the next financial year.
- Ensure funding for vocational ECEC courses appropriately meets the requirements of the mandated course load, which is substantially higher than most other certificate and diploma courses.
- Incentivise applicants for the Bachelor of Education (Birth to Five Years) by further reducing the cost to students.
- Immediately provide the funding and resources to create a nationally available fast-track degree program to rapidly upskill early childhood educators to the degree qualification level of early childhood teacher in a period of **18 months**, instead of the usual three years.
- Provide the funding and resources to run an immediate national education campaign to promote the career path of working in the sector and encourage unemployed Australians to consider working in the early learning sector through an entry-level Traineeship or to enrol in an Early Childhood Teaching Degree. Such a campaign would require a national call to action which puts jobseekers directly in touch with the application process.
- Provide a funding program that allows all educators to take time away from their duties to undertake the **Be You** training modules to assist them to identify children at risk of mental illness and support the wellbeing of the children (and their families) in their care (including funding to backfill the staff while training).
- Allow for a fringe benefits tax exemption for service providers in the context of providing fringe benefits to employees such as salary sacrifice in relation to childcare, cars, electronic devices, etc. This initiative could help attract jobseekers to the sector by lowering their income tax threshold and therefore boosting their income.
- Incentivise educators to be trained and retained in regional and remote Australia through a conditional waiver of HECS-HELP fees. This can be tested through a two-year pilot project across key areas of need.

With over **360,000 families** in our care, ACA believes **all of Australia's children** have the right to the **best start in life**.

Balancing supply with demand:

Aligning early learning service locations to support demonstrable need

OVERSUPPLY OF SERVICES INCREASES COSTS FOR FAMILIES

ACA believes that in the early learning sector there is a **direct correlation** between an oversupply of services and an **increase in costs to families**, taxpayers and **to government** along with a **decrease in the quality of education and care**.

The early learning sector operates under a unique set of circumstances – it is subsidised by the Federal Government and includes a high level of fixed costs (wages, rent and mortgages). As a result, prices are relatively inelastic, and typically **do not decrease with increased supply and competition**.

NO DUE DILIGENCE FROM SITE DEVELOPERS

Oversupply is a growing issue in Australia's early learning sector. With few barriers to entry for new or existing providers to set up new centres, the saturation of childcare centres in certain geographic areas has led to many services experiencing lower utilisation or being squeezed out of business.

If not addressed, oversupply will lead to **increased costs for families** and an **increase in government spending** and may have a **negative impact on the quality** of services in local communities.

PLANNING IS THE KEY

Early learning services should be made available **where needed**, as part of good, local community planning to allow for better access at a price that facilitates participation by all families, strengthens the local community and allows for sustainable, high quality services.

THE SOLUTIONS

We call on the Australian Government to:

- Allocate funding to allow for the development of aggregated occupancy reports published quarterly via clusters of postcodes or state electorates across Australia. Such reports would be invaluable to advise the market as to where oversupply and undersupply exist and therefore allow for careful town planning.



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