

Submission to Senate Education & Employment Legislation Committee: *Family Assistance Legislation Amendment (Plan For Cheaper Child Care) Bill 2022*

BACKGROUND

Following the Senate Education and Employment Legislation Committee's invitation to provide a submission to its inquiry into the provisions of the *Family Assistance Legislation Amendment (Plan for Cheaper Child Care) Bill 2022*, the Australian Childcare Alliance (ACA) would like to extend our thanks and appreciation for the opportunity to peruse the draft legislation and share our feedback on these important changes.

As the national peak body in the Australian Early Childhood Education and Care (ECEC) sector, the Australian Childcare Alliance (ACA) represents more than 2,500 members and approximately 360,000 families throughout Australia. We work on behalf of long day care service owners and operators, predominantly private, to ensure families have an opportunity to access affordable, quality early learning services throughout Australia.

The COVID-19 pandemic has pulled the curtain back on the essential role the early learning sector plays in supporting the recovery and growth of our economy while allowing all working parents – essential and healthcare workers amongst them – to continue in the workforce. Developmentally, the benefits to our children are also clear – children who enjoy quality early learning are likely to be well socialised, confident, inquisitive about the world, accepting of diversity, resilient to manage challenges and also to be life-long learners.

Whilst ACA supports the legislation being passed and would like to see this happen as soon as possible to ensure the financial benefits to Australian families with young children can be delivered as soon as practical, we strongly encourage the Senate to consider our proposed amendments to ensure that the revised legislation does not unintentionally create negative consequences for the early learning sector.

Please find below a summary of our recommendations.

ACA FEEDBACK AND RECOMMENDATIONS

We call upon the Senate Education & Employment Legislation Committee: to consider the following key concerns:

1. ACA notes that the proposed legislation amendments do not include changes to the activity test*. We strongly recommend a prompt review of the activity test to remove additional barriers to access for children and their families. Specifically, we recommend that **all children** have access to at least 36 hours of subsidised Early Childhood Education & Care (ECEC) per fortnight, **regardless** of their family circumstances, with a view to increasing this to 72 hours by 2024.
2. The need to deliver **an interim wages subsidy for ECEC educators and teachers**.
 - o The ECEC workforce supply is at an all time low and an immediate fix needs to be applied to stem the tide.
 - o A wage supplement, with integrity measures to ensure the benefit is delivered to the workforce, is critical to allow families to access the additional places they want once the legislation is implemented and to avoid them facing wait lists.

- Any unfunded wage increase will result in a reduction of affordability for families despite the implementation of the legislation and associated affordability measures.
3. ACA has concerns about the unintended consequences of moving to electronic payments for the most vulnerable of families. These families by their very nature require a range of options to make payments and in some cases, cash is the only viable solution.

Whilst the large majority of payments are received electronically, in practice these payments are largely made via merchant facilities linked directly to the registered Child Care Subsidy (CCS) software providers. Our concerns relate to the exorbitant fees some merchants charge when payments are not honoured by families without any genuine competition or regulation of these fees.

The service provider has **no realistic choice** but to go with the financial merchant selected by the CCS System, so the only way to circumvent these fees is to not utilise the third party child care software payment automations.

These dishonour fees can be up to \$20.00 for each dishonour. The additional charges for non-payment ultimately do not impact service providers but rather their families, who bear the costs of these exorbitant fees. This scenario is likely to disproportionately impact low-income families – the very families who can't afford additional costs. This is likely to impact a family's willingness to attend and remain engaged with their early learning service.

ACA believes the Australian Government has a role to play in limiting the non-payment fees from financial service merchants via the CCS Third Party Software licencing agreements or by ensuring open source merchant provision to increase competition.

4. Review the **CCS hourly rate cap** to ensure that it delivers affordability for families:
- The CCS rate cap has not kept pace with the rising costs of service delivery since introduced in 2018.
 - There had been a Federal Government commitment to review the hourly rate cap which has not been actioned to ensure that it continues to meet the needs of families.

*ACTIVITY TEST

All families who wish to access government-funded early learning services - via the Child Care Subsidy (CCS) – are required to complete the **activity test** online, to determine how many hours of subsidised care they are eligible for. Recognised activities include paid (or in some circumstances unpaid) work, paid or unpaid leave, work experience, being self-employed, actively setting up a business, doing an approved course of education or study, volunteering or other activities on a case-by-case basis.

ACA believes that the activity test excludes too many vulnerable families with young children who do not qualify for a minimum level of subsidised access due to their work/life situation. These children are already disadvantaged and need to be better supported not further discriminated against by being denied the same equity of access to high-quality care and education.

ACA believes a majority-subsidised child care system (via the Child Care Subsidy) for children under the age of five would deliver both societal and economic benefits.