



Pre-Budget Submission 2017-18



Australian Childcare Alliance

Table of Contents

Introduction.....	3
About the Sector.....	3
Key Statistics.....	3
Benefits to Children and the Economy.....	4
The 2017/2018 Federal Budget.....	6
Key Recommendations.....	6
Jobs for Families Package.....	6
Universal Access Funding.....	9
Extending Funding for Professional Development...	12

Introduction

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 ECEC throughout Australia. Our national and state bodies work collaboratively with all levels of government, regulatory bodies and other stakeholders to ensure that families are supported into the future with a sustainable, affordable and viable sector.

The Australian Childcare Alliance (ACA) is extremely proud of our ECEC sector. The ACA and other peak bodies have worked tirelessly to ensure that the education and care that takes place each and every day, informed by the Early Years Learning Framework (EYLF) and the National Quality Framework (NQF), is appropriately recognised.

As the ECEC sector continues to grow in size, its benefit to young children as well as to future prospects of the Australian economy are increasingly being recognised, both by government and the general community.

About the Sector

Key Statistics

The latest data provided by the Department of Education and Training¹ indicates that for the March quarter 2016, there were over 1.24 million children across 843,000 families using approved child care in Australia, with approximately 677,380 (54.5%) in long day care, reflecting the continued demand for ECEC services.

According to the latest data from the Australian Children's Education & Care Quality Authority (ACECQA)², during the March quarter 2016, there were 15,429 children's education and care services operating across Australia, of which 6,862 (45%) were long day care centres, 3,124 (20%) preschool/kindergartens, 1,056 (7%) family day care and 4,279 (28%) outside school hours care.

Of these services, 46% are privately owned and operated, with the vast majority (83%) of approved providers operating only one service, and only 1% of approved providers operating 25 or more services.

The Productivity Commission's most recent *Report on Government Services*³ confirms that in 2015, 55.1% of all children aged 2 years; 61.8% of all children aged 3 years; and 54.2% of all children aged 4 years attended CCB-approved child care. In the 4 year old bracket 95.1% of children were enrolled in a preschool program in the year before full time schooling, an increase from 90.9% in 2013.

During the same period 75.4% of 4 year old Aboriginal and Torres Strait Islander children were enrolled in a preschool program in the year before full time schooling. This proportion has increased from 73.9% in 2013 and 65% in 2012.

¹ Department of Education and Training (2016) [Early Childhood and Child Care in Summary March Quarter 2016](#)

² ACECQA [National Quality Framework Snapshot Q3 2016](#)

³ Productivity Commission (Feb 2016) [Report on Government Services](#)

According to the 2013 National Early Childhood Education and Care Workforce Census Report, the number of workers employed in the sector grew by an average of 10% across all service types from 139,187 in 2010 to 153,155 in 2013.

The number of services and children in care is estimated to have increased by 5.7% and 15.3% respectively over the same period. There was above average growth in the number of workers across all service types except preschool (5.8%) and family day care (3.5%), above average growth (13.0%) in the number of males in the workforce, and strong growth in Western Australia (19.2%) and amongst workers aged 55 and over (18.3%).⁴

In terms of future growth, there are currently over 1,000 planning applications for new privately operated long day care services in Australia⁵. At an average service size of 90 places and 25 educators per service, this represents over 25,000 new educators being trained before the end of 2018, when it is reasonable to expect these services are operating.

This level of expansion in such a short time span will place significant pressure on:

- the ability to source the required volume of quality early childhood educators; and
- the capacity of training providers to meet the demand for initial qualifications training.

Meanwhile, there is predominantly an oversupply of ECEC services across Australia, with many services operating way below 100% occupancy. Whilst there are pockets of Australia where demand currently outstrips supply, these are discrete, minority areas.

These statistics highlight the enormous growth in the ECEC sector to date, the anticipated growth in the near future, and the heavy reliance of Australian families on ECEC services in their day-to-day working lives.

Benefits to Children and the Economy

Studies in Australia and internationally demonstrate the significant benefits children experience from attending quality ECEC services, which in turn flows on to their family and the wider community. These benefits include better intellectual development and higher levels of concentration, sociability and independence.

Children who enjoy quality ECEC 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.

For example, a Melbourne University study⁶ exploring the relationship between preschool/kindergarten experiences and Year 3 NAPLAN scores found that children who attend a high quality early learning program in the year before school are up to 40% ahead of their peers by the time they reach Year 3.

⁴ 2013 National Early Childhood Education and Care Workforce Census report - <https://docs.education.gov.au/node/35535>

⁵ Based on privately commissioned data provided by Cordell Information – www.cordell.com.au

⁶ Early Bird Catches the Worm: The Causal Impact of Preschool Participation and Teacher Qualifications on Year 3 National NAPLAN Cognitive Tests - http://melbourneinstitute.com/downloads/conferences/LEW2013/LEW2013_papers/WarrenDiana_LEW2013.pdf

Further abroad, a well known study in the USA⁷ indicated that young people who had attended preschool programs were more likely to graduate from high school, to own homes and have longer marriages.

For disadvantaged children, research indicates that access to high quality ECEC in the first three years can produce benefits for cognitive, language and social development.⁸

For governments, an investment in early learning is fundamental to the future economic success of the nation; it increases availability of skilled workers across almost all industries by allowing more parents, particularly mothers, to re-enter the workforce and hence boost the productivity of the entire economy.

More importantly an investment in quality early learning can provide a safeguard against future, even greater government spending on societal costs for disadvantaged children as they mature. Research indicates that when children from disadvantaged backgrounds have access to quality ECEC services, they are less likely to grow up relying on government-funded services.

“The two public policy strengths of early intervention are firstly that it is less expensive and second it is more effective than late intervention. It is no longer viable to take ever increasing amounts of taxation from the public to deal with the ever increasing impact of failing to intervene early ”⁹

For example, research based on New Zealand data found that only a small fraction of the population is likely to account for the majority of government-funded public service costs such as health services, the criminal justice system, insurance claims for claims for disabling injury, pharmaceutical prescriptions and social welfare benefits.

Furthermore, the study measured the connection between an at-risk childhood and costly adult outcomes in the population, and suggested that it was possible to predict which of the children were most likely to grow up to become part of this high cost segment of society from measures of their socioeconomic background, experience of maltreatment, IQ and self-control, which could be assessed at the early learning level.

The implications are that long-term benefits of investment in early years education for disadvantaged children, both in terms of the benefits for the children themselves but also in terms of the payback for the public purse, are highly underestimated.¹⁰

The ACA appreciates the government’s acknowledgement of the importance of the ECEC sector to date, through the development of the Early Years Learning Framework (EYLF), the National Quality Framework (NQF), the development and evolution of the Jobs for Families (JfF) package, pending passage of the enabling legislation, along with the funding of the Early Learning Languages Australia (ELLA)

⁷ The HighScope Perry Preschool Study, <http://www.highscope.org/Content.asp?ContentId=219>

⁸ A Review Of Research On The Effects Of Early Childhood Education And Care (ECEC) On Child Development http://eccec-care.org/fileadmin/careproject/Publications/reports/CARE_WP4_D4_1_review_of_effects_of_eccec.pdf

⁹ Early Intervention: Good Parents, Great Kids, Better Citizens, Graham Allen MP and Rt Hon Iain Duncan Smith MP September 2008 <https://www.scribd.com/document/13137849/Early-Intervention-Good-Parents-Great-Kids-Better-Citizens>

¹⁰ Childhood forecasting of a small section of the population with large economic burden <http://www.nature.com/articles/s41562-016-0005>

Program, the Universal Access to Early Childhood Education Program and the Long Day Care Professional Development Program (LDCPDP).

The 2017/18 Federal Budget

The 2017-18 Federal Budget presents an opportunity for the federal government to deliver more targeted investments and provide the urgently needed long-term funding certainty for the ECEC sector.

The \$3 billion increase in investment in the sector via the Jobs for Families (JfF) package - pending passage of the enabling legislation - combined with a total review of the early learning model across all sectors represents the strongest opportunity for government and these sectors to work collaboratively to ensure the success into the long term future of all children, the sector at large and the economy of our nation.

The ACA commends the federal government on the level of engagement with the ECEC sector to date, in the development of the JfF package.

Whilst the JfF package has evolved substantially, largely as a result of government consultation with the ACA and other key stakeholders over the past four years, the ACA believes further important amendments are required to ensure that all children benefit from this investment.

As the JfF package is expected to be a major focus of the 2017-18 Federal Budget, the ACA also urges the federal government to ensure that other important policies and programs integral to the sector are not overlooked. This submission identifies these policies and programs that merit further funding in the months and years ahead.

Key Recommendations

Jobs for Families Package

Over the past four years the ACA has been closely involved in the development of the JfF package, making submissions to the Productivity Commission Inquiry, supporting consultation with the sector and with families, and providing advice to the federal government on the proposed reforms via two Senate enquiries.

More recently, in September 2016 ACA provided a submission regarding this package to the Senate Employment and Education Legislation Committee, along with a joint submission developed in conjunction with Early Childhood Australia, Goodstart Early Learning and Early Learning and Care Council Australia.

Key items for review include the income threshold for the base entitlement, the activity test, and access to early learning for Aboriginal and Torres Strait Islander (ATSI) children.

The complete list of key recommendations is set out in the *ACA Response to Senate Inquiry Into Provisions of Jobs for Families Child Care Package Bill 2016*¹¹

¹¹ Available online at <https://childcarealliance.org.au/index.php/advocacy/submissions>

document.

The ACA holds the view that the JfF Bill will contribute significantly to the lives of Australian families and the Australian economy at large, and therefore stands on its own merits. A reform of such importance should not to be linked to any savings measures such as the proposed cuts to Family Tax Benefits A and B.

Notwithstanding, the ACA maintains the view that the package has already been paid for several times, through:

1. The sufficient savings from cuts to FTB payments to fund the Child Care Subsidy since the JfF package was announced in May 2015. These savings total approximately \$1.2 billion in 2018-19. This equates to the full year cost of the Child Care Subsidy in 2018-19. These cuts were in addition to the \$620 million of annual cuts to Family Payments that passed the Parliament in 2014-15.
2. The anticipated government savings of \$473 million in 2018-19 from tighter rules on 'child swapping' in family day care, \$27 million from recently announced compliance measures, an additional \$288 million a year from other compliance activities¹²
3. The likelihood of lower than forecast costs of the Child Care Subsidy in 2018-19 in the Budget due to lower fee increases.

Senate Estimates was advised that the Legislative Outyears Customisable Model of Child Care (LOCMOCC) budget model for the Child Care Subsidy projects average increases of around 6-7% p.a in long day care fees between 2014-15 and 2018-19¹³. Tougher market conditions and completion of the rollout of National Quality Reforms are seeing much lower actual increases, closer to 5%.¹⁴ Lower fee increases would reduce the cost of the Child Care Subsidy by around \$800 million in 2018-19.

4. The evidence that child care assistance pays for itself by increasing workforce participation, with a more productive workforce generating more income and paying more tax.

The Productivity Commission concluded: "Greater workforce participation by parents can boost measured economic output and tax revenue, reduce reliance on welfare support and promote social engagement."¹⁵

Modelling by PricewaterhouseCoopers Australia¹⁶ found that within three years, the proposed Child Care Package would generate around \$1 billion in increased taxes and welfare savings, with savings exceeding costs within a decade. Economic analysis of a large increase in child care subsidies in

¹² <http://www.senatorbirmingham.com.au/Media-Centre/Media-Releases/ID/2916/Crackdown-on-child-swapping-savingtaxpayers-77-million-a-week>

¹³ Response to Senate Community Affairs Estimates Committee Question On Notice SQ15-469

¹⁴ Department of Education admin stats <https://docs.education.gov.au/node/41151>

¹⁵ Productivity Commission (Oct 2014) report on Child care and Early Learning p.13, <http://www.pc.gov.au/inquiries/completed/childcare/report/childcare-volume1.pdf>

¹⁶ <https://www.goodstart.org.au/getattachment/news-and-advice/What-will-the-changes-proposed-by-the-Federal-Gove/PwC-final-report.pdf.aspx?lang=en-AU>

Quebec found the government received \$1.51 in taxes and welfare savings for every dollar in additional subsidy¹⁷. Australian analysis shows that working mothers pay more in tax (\$9 billion) than they receive in child care assistance (\$8 billion). Prime Minister Malcolm Turnbull, at his campaign launch on 26 June 2015, noted that raising workforce participation was an important objective of his Government's plan for 'Jobs and Growth':

"We know that the economy is people - their lives, their futures, their security.....A strong economy means a mum whose kids are now at school and wants to work a few more days, or work full-time, will have plenty of opportunities to do so. And our child care reforms will make it easier for her to do so too."

5. The recent major cuts to the Nanny Trial saving government \$61 million over three years.
6. The updated Mid-Year Economic Fiscal Outlook (MYEFO)¹⁸ data showing a significant reduction in forward estimates in relation to Child Care Subsidy (CCS) as a result of a radical overhaul of the program over the next four years which were cut from \$40 billion to \$30 billion with major changes to usage pattern assumptions, particularly for family day care.

The ACA, along with the ECEC sector at large, was disappointed that the Senate did not have the opportunity to table the Jobs for Families Bill during the final sitting weeks of Parliament in 2016. Consequently the discussions surrounding the potential amendments to the Bill will now have to wait until Parliament resumes in February 2017.

Recommendations:

- ***That the proposed amendments recommended by the Australian Childcare Alliance in its September joint submission in response to the Senate Inquiry into the Family Assistance Legislation Amendment (Child Care Measures) Bill (No 2) 2014 be adopted and reflected in the 2017-18 Federal Budget.***
- ***That the implementation of the Bill is not delayed any further than 1 July 2018.***

Families Need Financial Relief Now

Whilst ACA acknowledges the likely implementation of the JfF package on 1 July 2018, even without delays this is a long time for families to wait for additional financial assistance.

The ACA's ongoing immediate concern is the affordability crisis affecting Australian families that rely on ECEC services, with incremental increases in service fees, yet no increase in the government rebate for families in almost nine years. The current

¹⁷ Fortin P, Godbout L & St Cerby S (2012) "Impact of Quebec's Universal Low Fee Child care Program" Working Paper, University of Sherbrooke, Quebec https://www.oise.utoronto.ca/atkinson/UserFiles/File/News/Fortin-Godbout-St_Cerby_eng.pdf

¹⁸ <http://www.budget.gov.au/2015-16/content/myefo/html/index.htm>

CCR Cap of \$7500 remains unchanged since 2008.

Families with young children are struggling to afford the level of ECEC services they need to participate in the workforce and enhance their child's early learning and development.

With the JfF package already deferred by one year from its original 1 July 2017 implementation date, the ACA is concerned that further delays in passing the Jobs for Families Bill will affect the anticipated roll out date of 1 July 2018. Furthermore, the ACA believes that families should be afforded support for the 2017-18 financial year with an increase in both CCB and CCR until such time as the JfF package is implemented.

Recommendation:

- ***That the following interim measure to support families is implemented – an immediate increase of childcare rebate cap to \$9,000 and increase CCB payments by 25%.***

Universal Access Funding

In 2008, the Council of Australian Governments (CoAG) signed a *National Partnership Agreement on Universal Access to Early Childhood Education*¹⁹, less formally known as the Universal Access agreement. The agreement committed all Australian governments to achieving universal access by 2013 to early childhood education programs for all children in their year before school, delivered by university qualified early childhood teachers, for 15 hours per week, 40 weeks per year.

Funding Certainty

The ACA welcomed confirmation in the 2015 Federal Budget that \$840 million, adjusted for the Consumer Price Index, would be provided to support preschool programs for a further two calendar years.

We recommend that Universal Access funding be extended beyond the current agreement to ensure that all children in their year before school have access to a quality preschool program for the foreseeable future.

The benefits of all children having access to a quality preschool program for children are well recognised by the sector and academia:

There is “an accumulating body of evidence suggests that early childhood interventions are much more effective than remedies that attempt to compensate for early neglect later in life”²⁰.

¹⁹ Council of Australian Governments (2008) [National Partnership Agreement on Early Childhood Education](#)

²⁰ Heckman, J. & Masterov, D. (2004) The Productivity Argument for Investing in Young Children, National Bureau of Economic Research, Accessed at: <http://www.nber.org/papers/w13016>

The ACA strongly upholds that all Australian children, regardless of background or geographic location, have the right to a quality preschool program.

Recommendation:

- ***That the 2017-18 Federal Budget confirm ‘Universal Access’ funding via the National Partnership Agreement on Early Childhood Education through to at least 2020.***

Consistent Delivery Across Jurisdictions

The ACA also strongly supported the requirement of the Turnbull Government’s National Partnership Agreement (NPA) on the Universal Access to Early Childhood Education that **state/territory governments must support preschool programs in all settings**, including those delivered in long day care settings.

This requirement is consistent with the conditions outlined in the *National Partnership Agreement on Universal Access to Early Childhood Education Intergovernmental Agreement on Federal Financial Relations*²¹, which states that the agreement “will be implemented consistently”; and that Universal Access would ensure the quality early childhood education program – defined as “a program delivered in the year before full-time schooling in a diversity of settings, including long day care centre based services, stand-alone preschools and preschools that are part of schools” – “would be delivered in a manner that met the needs of parents and working families”.

To date Universal Access funding arrangements, which *should* be viewed as positive investment in ECEC, are seriously flawed in an implementation sense, undermining the potential widespread benefits of this investment; each State/Territory government has taken a different approach to implementation since inception of the agreement, leading to grossly inequitable outcomes for children, families and service providers alike.

As an example, until 2015, the NSW Government had not provided any Universal Access funding to the privately owned long day care sector in NSW, despite the NSW Government’s *Review of NSW Government Funding for Early Childhood Education*²² making it clear that “families and children should benefit from the Government’s investment in quality early childhood education programs regardless of whether they access a long day care centre or a preschool”, a recommendation strongly endorsed by ACA.

The Productivity Commission’s *Draft Report on Childcare and Early Childhood Learning*²³ suggested that “*Where preschool is undertaken in an LDC and states and territories are not passing on the universal access funding, this should be withheld from the state or territory by the Australian Government and paid directly to*

²¹ Council of Australian Governments (2008) [National Partnership Agreement on Universal Access to Early Childhood Education Intergovernmental Agreement on Federal Financial Relations](#)

²² NSW Government (2012) [Review of NSW Government Funding for Early Childhood Education](#)

²³ Productivity Commission Draft Report 22 July 2014 <http://www.pc.gov.au/inquiries/completed/childcare/draft>

the LDCs”.

The Productivity Commission’s final report²⁴ in 2014 strongly recommended Universal Access funding be provided where preschool programs are delivered in long day care.

In July 2015, after years fighting for Universal Access funding to be provided to long day care services in NSW to support the delivery of preschool programs (as it is in some other jurisdictions), the NSW Government finally provided a very small proportion of its funding to NSW long day care services via a \$20 million “Long Day Care National Partnership Grants Program”²⁵. In October 2015, long day care services in NSW received a one-off payment of approximately \$300 per child.

Whilst this is a positive start, it pales in comparison to the funding being distributed in other states such as Queensland and Victoria, where the intent of the Universal Access program has been embraced.

Better resourcing of preschool programs in other states means their preschool children benefit from more educational resources, better use of technology, more excursions and incursions, more opportunities to upgrade indoor and outdoor learning environments and teachers able to access more professional development opportunities.

Meanwhile services in the Australian Capital Territory, Western Australia and Tasmania are still not receiving Universal Access funding for preschool programs delivered in a long day care setting.

The ACA strongly believes that these varied outcomes at the state level are in fundamental breach of the current NPA, and that they effectively discriminate against the children who live in those states not receiving this funding.

Due to work commitments, long day care is the only workable ECEC service for many families, and therefore their only option is to place their children into services that are not receiving Universal Access funding.

The ACA therefore argues that all states/territories should be aiming for similar outcomes to ensure that the positive impacts that could be delivered via the Universal Access agreement are not undermined through inconsistent implementation across jurisdictions.

In light of the issues raised above, the ACA believes that the current NPA does not support all children in all service types having equitable access to 15 hours of preschool in the year before school. These failings are not likely to be remedied unless a new mechanism to deliver this funding to all children in Australia is considered.

The ACA therefore suggests consideration of a new funding mechanism that provides both greater certainty of funding beyond year to year agreements,

²⁴ Productivity Commission Inquiry Report 20 February 2015 <http://www.pc.gov.au/inquiries/completed/childcare/report>

²⁵ NSW Government LDC National Partnership Grants <http://www.dec.nsw.gov.au/what-we-offer/regulation-and-accreditation/early-childhood-education-care/funding/ldc-national-partnerships>

and that delivers equitable funding to all children regardless of service type or jurisdiction.

Recommendation:

- ***That state/territory governments be required to deliver equitable Universal Access funding to support preschool programs in all settings, including preschool programs delivered in long day care settings.***
- ***That the current national partnership agreement is reviewed and the government implements a more equitable way of delivering funding to children by 2020.***

Extending Funding for Professional Development

The ACA recognises the importance of professional development in the ECEC sector. Given that educators working in the sector will often spend 40+ years employed, they require access to ongoing professional development to ensure their skills and pedagogical practice evolves with new evidence and changing needs.

The introduction of the Long Day Care Professional Development (LDCPDP)²⁶ has allowed ECEC service providers to meet their specific professional development needs to support the National Quality Framework, adhere to the National Quality Standard and deliver the Early Years Learning Framework or other approved learning framework.

During the last three years the ACA has received extremely positive feedback from members regarding this program and its impact on their educators.

We believe the LDCPD Program has delivered greater quality outcomes to children in ECEC services.

These outcomes are reflected in the increased proportion of ECEC services meeting and exceeding the National Quality Standard, year on year, since the introduction of the LDCPDP in May 2014²⁷.

Percentage of quality rated services reported via ACECQA NQF Quarterly Snapshots ²⁸	
November 2013	25%
October 2014	46%
November 2015	69%
November 2016	83%

As it stands, the funding for the LDCPDP is due to expire on June 30 2017.

²⁶ <https://www.education.gov.au/long-day-care-professional-development-programme>

²⁷ <https://www.mychild.gov.au/news/050514-ldcpdp>

²⁸ <http://www.acecqa.gov.au/national-quality-framework/national-quality-framework-snapshots>

Furthermore, the government has withdrawn funding for Inclusion and Professional Support Program²⁹ which will leave a huge gap in terms of support for educators being provided ongoing professional development.

This issue is further exacerbated by ongoing issues with the quality of sector-specific VET qualifications provided by Registered Training Organisations (RTOs). Much of the initial qualifications training that is currently on offer has set such low standards for entry and completion that the quality of educators entering the sector is by definition sub-optimal.

The Australian Skills Quality Authority (ASQA)'s 2015 strategic review³⁰ about the quality of Vocational Education and Training (VET) and assessment being provided to the ECEC sector concluded that most RTOs have difficulty complying with assessment requirements; training courses are delivered in too short a time; and learning and assessment in a structured workplace environment is not done well.

Beyond these findings, ACA member feedback acknowledges the poor quality of qualifications-based training and ongoing professional development provided by many RTOs.

The result is a substantial undersupply of well-trained staff. In this context, professional development becomes even more important to the quality outcomes for children and the ECEC sector more broadly.

The ACA believes that the LDCPDP funding being provided directly to service providers has allowed each service to have control of the training needs of their educators and appropriately choose where this money is best spent.

The ACA therefore supports further government investment in the LDCPDP or a similar initiative, which encourages the ongoing professional development of educators within the sector to ensure the quality of educators continues to grow and align with the National Quality Framework and the National Quality Standard.

Recommendation:

- ***That beyond the LDCPDP 30 June 2017 expiry date, funding should be allocated to a program similar in concept to the LDCPDP with the same distribution model that allows ECEC service providers to determine the most appropriate training needs for the staff in their own services.***

²⁹ <https://www.education.gov.au/inclusion-and-professional-support-program-transition>

³⁰ Australian Skills Quality Authority (ASQA)'s 2015 strategic review <http://www.asqa.gov.au/about/strategic-reviews/early-childhood-education-and-care-2015.html>



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