



2021-2022 Pre-Budget Submission

December 2020



#BestStartInLife



Contents

Introduction	3
Summary of ACA Recommendations: Pre-Budget Submission 2021-2022	5
Child Care Subsidy: Affordability & why our most vulnerable children need support	8
Preschool (kindergarten) education: A better future with earlier participation & equitable outcomes	15
Balancing supply with demand: Aligning early learning service locations to support demonstrable need	20
Investment in Australia's ECEC workforce	24



Introduction

This Pre-Budget Submission is presented by the Australian Childcare Alliance (ACA) to the Australian Government for the Federal Treasury's consideration in the context of the 2021-2022 Budget.

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 early learning services**, who educate and care for more than **360,000 families throughout Australia**.

We work on behalf of early learning service owners and operators, predominantly private, as a reputable source of evidence-based advice to policy makers and a trusted source of practical guidance and support to service operators and educators.

This **2021-2022 Pre-Budget Submission** acknowledges the profound impact of COVID-19 on Australia's health system, community and economy since the start of 2020.

ACA's Executive Committee has worked around the clock to support our members through the unprecedented economic, social and health shocks that COVID-19 wreaked upon our beloved nation from January 2020 onwards. We have stood shoulder-to-shoulder with Education Minister Dan Tehan in developing economic solutions that have effectively saved the sector from imminent collapse.

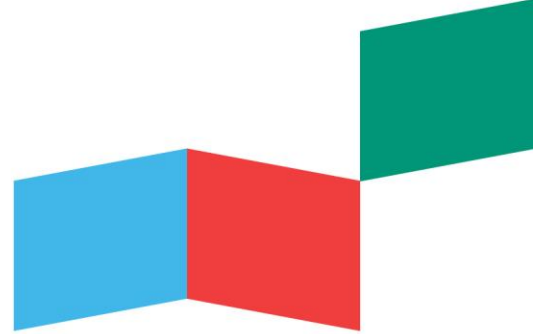
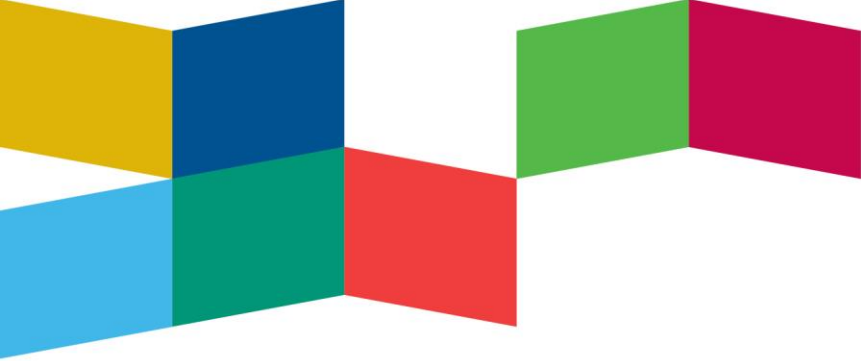
We are deeply heartened that our most immediate priority of preventing the collapse of our sector in 2020 was successfully addressed by the Australian Government's ECEC Relief Package and the Transition Payments. As a result, throughout the year of 2020 our sector has continued to provide a safe haven for Australia's many children and families who relied on our ECEC services.

I would like to take this opportunity to commend the Prime Minister, the Hon Scott Morrison MP, the Minister for Education, the Hon Dan Tehan MP and the Australian Government for their tremendous leadership and ongoing consultation with our sector to monitor the success of the combined funding support packages and address any unintended consequences of the funding models.

We are now turning our attention to the future, to ensure a **long-term recovery** for not just the early learning sector but also the wider economic community, which directly impacts Australian families.

Treasury has stated that this once-in-a-century shock requires an unprecedented level of support across the economy, with the impacts of COVID-19 expected to be felt in the Australian economy for years to come. Australia's economic recovery plan will focus on creating jobs, increasing economic resilience and creating a more competitive and income-generating economy.

This pandemic has pulled the curtain back on just how **critical** the ECEC sector is in supporting our economy and allowing all working parents - emergency and healthcare workers amongst them - to continue in the workforce and contribute to the recovery and growth of our economy.



The health and developmental benefits of early learning to Australia's young children are now needed **more than ever**, and the long-term benefit to our economy is exactly what 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 the economic recovery plan and ensure that **all Australian families**, including those who are essential workers and/or from disadvantaged and vulnerable backgrounds, can access our ECEC services.

ACA commits this **Federal Budget 2021-22** submission for your consideration, as part of our ongoing commitment to ensure that **every child in Australia** has access to high-quality, affordable and sustainable early learning services, and therefore the **best start in life**.

Paul Mondo
President



Summary of ACA Recommendations: Pre-Budget Submission 2021-2022

Below is a snapshot of our key recommendations that we commit to the Government to adopt and include in the Federal Budget 2021-22.

1. Affordability of Early Learning (Child Care Subsidy)

We call on the Australian Government to:

Family focussed

- Increase the CCS to **95% of the hourly cap rate for households earning up to \$80,000**. It would then taper down (by 1% for every additional \$4,000 of family income) until a floor of 30% subsidy.
- Amend 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.
- Remove CCS annual cap permanently for those families affected by it.
- Ensure 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.
- Introduce 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).
- Allow for more flexibility for ACCS (child wellbeing) to reduce the burden of providing evidence for vulnerable families.
- Introduce 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.

Service provider focussed

- Provide funding to allow for an IT solution that ensures subsidies flow directly to services on behalf of families as recommended by the Productivity Commission¹.

¹ <https://www.pc.gov.au/inquiries/completed/childcare#report>

2. Preschool (kindergarten) education: A better future with earlier participation & equitable outcomes

We call on the Australian Government to:

- Commit to a 5 year funding arrangement as recommended in the UANP Review: Final Review Report² to provide a long term, sustainable model which ensures ensure that **all Australian children** have access to at least 15 hours per week of a quality preschool (kindergarten) program lead by tertiary qualified early childhood teacher(s), for 40 weeks per year in the year before school **regardless of type of service**.
- Modify the existing Universal Access funding model:
 - To provide both greater certainty of funding beyond year to year agreements; and
 - Deliver equitable funding to **all children** (ie. funding that **follows the child**) regardless of service type or jurisdiction. This would support preschool (kindergarten) programs delivered in all settings, including centre based, long day care.
- Extend exemption of the **Child Care Subsidy activity test** for children in their year before school to children in their **two years before school**.

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

3. Balancing supply with demand: Aligning early learning service locations to support demonstrable need

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; and
- Consider the application of legislation similar in concept to the Aged Care Act 1997 which allows for an annual allocation of subsidised places, in the context of ensuring the provision of ongoing affordable, high-quality early learning services to all Australian children by better aligning service provision to demonstrable, localised need.

² UANP Review: Final Review Report - <http://www.educationcouncil.edu.au/EC-Reports-and-Publications.aspx>

4. Investment in Australia's ECEC workforce

We call on the Australian Government to:

- Immediately create or silo **5,000 funded trainee/apprentice wage subsidy places** in the early learning sector, targeting school leavers, unemployed and people wanting to reskill into a new career. They will be trained for a role that cannot be offshored, thus offering long-term career prospects in a stable sector of the economy.
- 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.
- Provide HECS/HELP relief for diploma trained ECEs who choose to upskill to an Early Childhood Teaching Degree.
- Immediately provide the funding and resources to create a 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 encourage unemployed Australians to consider working in the early learning sector through an entry-level Traineeship. Such a campaign would require a national call to action which put them in touch with the application process.
- Create incentives for Australians on JobSeeker to take on ECEC courses and to become job-ready candidates.
 - This should include a national advertising campaign to boost interest in the early learning sector and help align jobseekers with immediate employment opportunities.
 - We also recommend that each jurisdiction provides an exemption period of three months prior to the need for enrolment in a relevant ECEC qualification.
- Provide a funding program to develop the systems approach needed to implement evidence-based training and resources for educators and the curriculum and pedagogical practices that will reduce the prevalence of **family violence** and reduce the development of engrained child behaviours and beliefs that lead to family violence in later life, especially when intergeneration effects are at play.
- 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).

Child Care Subsidy: Affordability & why our most vulnerable children need support

THE ISSUES

FAMILIES NEED SUPPORT IN THE ECONOMIC RECOVERY FROM THE COVID-19 IMPACT

The shocking impact of COVID-19 on the Australian economy has brought to the fore the **pivotal role** that the early learning sector plays in supporting Australia's workforce participation. If our services had ceased to operate; **one third** of the Australian **emergency and healthcare workers** would have been forced home to care for otherwise healthy young children. At the same time many more vulnerable children would have been put at greater risk.

At the same time, never has it been more important to celebrate the evidence-based **positive long-term outcomes** for those children attending high-quality Early Childhood Education and Care (ECEC).³

These two critical functions are not mutually exclusive, and ACA is keen to ensure that Australia's policy settings **equally** recognise the tremendous importance of the developmental outcomes of high quality ECEC alongside the significant workforce participation outcomes.

In the wake of the COVID-19 economic downturn this year, KPMG released a report⁴, which identifies affordability of child care as one of the **key factors** in allowing working parents to return to work and help rebuild the Australian economy.

The report recommends transitioning to near majority-subsided child care for children under the age of five, citing both societal and economic benefits.

³ 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>

⁴KPMG 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>

FINANCIAL DISINCENTIVE FOR PARENTS TO INCREASE WORK HOURS OR RETURN TO WORK

The KPMG report identifies the disincentive of **insufficient financial reward** that many parents of young children face when taking on extra work, once out-of-pocket child care costs are deducted.

This disincentive applies across all family income levels, with **women's workforce participation suffering most** when child care is unaffordable.

The report proposes lifting the CCS to **95% of the hourly cap rate for households earning up to \$80,000**. It would then taper down (by 1% for every additional \$4,000 of family income) until a floor of 30% subsidy. This would boost affordability and accessibility for families, therefore creating up to 210,000 additional working days per week, boosting the nation's coffers by up to \$7.4 billion per annum.

ACA supports and strongly recommends this approach, which would maximise outcomes under the existing framework and build on the recent Child Care Subsidy (CCS) reforms to better support working families and the national economic recovery.

Benefits of increasing CCS support as listed in KPMG Report - *The Child Care Subsidy: Options for increasing support for caregivers who want work*

Societal benefits

These benefits include the social and cognitive development of the children themselves, the scope for both parents to take on as much work as suits their circumstances during the child care years, and the increased career-long productivity of those parents from having had the ability to strengthen their engagement with the workplace and with professional development opportunities during the child care years.

There are also non-financial factors including availability, flexibility and quality that influence a family's decision on whether to access additional child care services in order for a parent to be able to take on work opportunities.

Economic benefits

The annual benefit to gross domestic product (GDP) from increasing the federal government child care subsidy (CCS) to a near fully funded 95 percent of the current hourly rate cap could exceed the additional CCS expenditure (net of additional income tax receipts) by almost 40 percent.

The additional CCS expenditure (net of additional income tax receipts) is estimated to be \$5.4 billion, and the annual GDP benefit is estimated at up to \$7.5 billion.

There would be a further cumulative benefit to GDP which arises from the increased productivity of these parents over the longer term. KPMG has estimated that over 20 years this could grow to \$10 billion.

ACTIVITY TEST CREATES AN ADDITIONAL BARRIER TO PARTICIPATION

As part of the Child Care Subsidy (CCS) system, the activity test was designed as a lever, to ensure that the CCS rewarded workforce participation. Under the current arrangement, a portion of Australia's young children **do not qualify for a minimum level of subsidised access** due to their family's work/life situation.

Many vulnerable families may not meet the activity test, therefore significantly reducing their capacity to afford early learning (childcare) services. This situation will now be exacerbated by the shock unemployment & economic downturn facing many Australian families. Whilst some will recover, many will not.

Extending the activity test exemption on a permanent basis would be a simple solution to ensure that all children have access to at least **18 hours a week** of subsidised high quality, affordable early learning services.

CCS ANNUAL CAP ANOTHER BARRIER TO PARTICIPATION

With over 825,00 children attending early learning (childcare) services, it is estimated that approximately 15-20% of CCS-eligible families would have a combined family income that exceeds \$189,000, for whom the annual cap may apply.

Whether these families reach the cap will depend on the amount of Early Childhood Education and Care (ECEC) they use during the financial year. However increased attendance is generally aligned with increased workforce participation and taxes.

As identified in the previously cited KPMG report⁵, the disincentive for the second income earner to work additional days is **particularly significant** for those families impacted by the annual cap.

As the evidence suggests, families with an income at \$189,000 in most capital cities should not be considered wealthy. For example, a household with both parents working in the roles of a policeman/woman and a teacher, would feel the impacts of exhausting the CCS annual cap.

The current tapering of CCS disadvantages the cohort of families between \$189,000 and \$254,000, whereas once the combined income hits \$253,580, families become significantly less likely to exceed the cap as the rates taper down.

We believe the removal of the annual cap would be a common sense, simple solution to providing targeted additional financial support to many hardworking Australian families, allowing them to maximise their participation in the workforce without being penalised by the cost of ECEC services.

⁵ 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>

ONGOING DIFFICULTIES FOR FAMILIES IN ACCESSING THE AVAILABLE SUPPORT

The **activity test** has always been difficult for families to navigate and is unnecessarily complex, particularly for those families with varying work hours per fortnight, along with those not proficient in English.

Furthermore, accessing additional support via the **Additional Child Care Subsidy (ACCS) Temporary Financial Hardship** mechanisms is notoriously difficult due to the current constraints in the system and the way in which they are administered by Services Australia. Families are required to apply for this financial support via Centrelink (Services Australia), which is a long, drawn out process at a time of heightened trauma and anxiety. This creates a further barrier to families in need, at a time when Services Australia's resources are already stretched beyond capacity.

We acknowledge that the Government has put measures in place via Services Australia to streamline this process and hope that these measures effectively support those families in need.

ACA believes that with expected record levels of unemployment, the **ACCS Transition to Work** category should serve a prominent role for those families returning to the workforce. Lifting the household income threshold for qualification would target and support families through the arduous financial and emotional process of looking for and attaining new employment, while giving their households a chance to fully recover from the sudden impact of COVID-19.

ACA recommends that **ACCS Transition to Work** is **promoted more widely** to ensure this highly valuable support is more widely utilised across the community as Australian families return to work through the economic recovery of COVID-19.

Meanwhile the existing application process for the **ACCS (child wellbeing)** funding is also onerous in terms of the level of evidence required.

We would, therefore, like to see amendments to the application process that reduces the burden of providing evidence for vulnerable and disadvantaged families. Pressure would be further reduced on families, providers and state-based agencies, if a service provider could simply provide a letter from a General Practitioner (GP) or psychologist as evidence for a certificate and subsequent 26 week access for newly vulnerable children and their families.

In terms of evidence of barriers to access (according to Mr Richard Weston, Chief Executive of Aboriginal and Torres Strait Islander children's advocacy body SNAICC), many Indigenous community services reported increased enrolment during the "free childcare" period, with vulnerable & disadvantaged children attending for more hours and some families accessing early learning and care for the first time⁶. This is a trend we need to support in the interests of these children and for the communities in which they live.

⁶ 'They are thriving': Free childcare boosted access for disadvantaged and Indigenous kids, Sydney Morning Herald, 12th June 2020 - <https://www.smh.com.au/politics/federal/they-are-thriving-free-childcare-boosted-access-for-disadvantaged-and-indigenous-kids-20200611-p551ne.html>

We also know from our ACA member feedback, that families from disadvantaged and vulnerable backgrounds were able to access more days under this temporary access model. ACA would therefore support a low-cost model for these specific cohorts, focusing on families who **do not fit the category of Additional Child Care Subsidy (ACCS) Child Wellbeing**, but are indeed disadvantaged.

EXCESSIVE RED TAPE FOR FAMILIES AFFECTED BY LOCAL EMERGENCIES (COVID-19 OR OTHERWISE)

We would also recommend a within ACCS (child wellbeing) which would allow the Department of Education, Skills & Employment (DESE) to respond immediately and efficiently to local emergencies such as bushfires, floods or other relevant circumstances in a targeted way. The funding could last for a set period, commensurate with the nature of the emergency, and be triggered by the service provider through the CCS System.

This new category would prevent the need for affected families to contact Services Australia to access emergency funding support, while at the same time relieving the administrative burden on Services Australia.

BACK-PAYMENTS ARE GOING TO FAMILIES AND LEAVING SERVICE PROVIDERS TO DEAL WITH THE DEBT

Since the inception of the CCS, service providers have experienced problems regarding which party receives back-payments in those instances where there has been a delay in the processing of a CCS application. Until the CCS claim has been processed, service providers find themselves in the difficult position of having to charge full fees to these families, who are often returning to the workforce and may not be able to meet the significant cost of full fees, particularly without having received their first salary payment. In this scenario, service providers often provide some payment flexibility for these new families, despite the eventual CCS back-payments being paid to the family, rather than to the service provider.

The unintended consequence of this payment process is that the service providers are left substantially out of pocket, with no choice but to recover this amount directly from the family. Should the family fail to pay, the service provider has very little recourse to recover the debt. The eventual consequence is that service providers are unlikely to assist in similar circumstances in the future, excluding vulnerable & disadvantaged children from access to quality early learning services when they need it the most.

This is particularly pertinent in situations where an **ACCS Child Wellbeing** application is made in conjunction with a new CCS claim by the family. If the CCS claim is not processed prior to the commencement of that child, services are left in a situation where once both CCS and ACCS have been approved, the CCS is paid directly to the family, while the ACCS is paid to the service. Recovering this money from vulnerable families is extremely difficult, and the only failsafe option for a provider would be to charge them the full fee until the approvals are in place. This situation does not work in the best interests of the children who need ECEC the most and can have the opposite effect of discouraging participation for this vulnerable cohort.

THE SOLUTIONS

We call on the Australian Government to:

Family focussed

- Increase the CCS to **95% of the hourly cap rate for households earning up to \$80,000**. It would then taper down (by 1% for every additional \$4,000 of family income) until a floor of 30% subsidy.
- Amend 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.
- Remove CCS annual cap permanently for those families affected by it.
- Ensure 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.
- Introduce 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).
- Allow for more flexibility for ACCS (child wellbeing) to reduce the burden of providing evidence for vulnerable families.
- Introduce 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.

Service provider focussed

- Provide funding to allow for an IT solution that ensures subsidies flow directly to services on behalf of families as recommended by the Productivity Commission⁷.

THE BENEFIT TO FAMILIES AND TAXPAYERS

- Continuity of access to early learning services for children whose parents' lives and workforce participation have been impacted by COVID-19.
- Increased participation of children from disadvantaged and vulnerable backgrounds.
- Parents would have the choice of early learning service type that **best suits and supports their work/family life needs**.

⁷ <https://www.pc.gov.au/inquiries/completed/childcare#report>

Families would have a much **simpler, easier process**, resulting in **all Australian children**, including children from **vulnerable and disadvantaged families**, having **immediate** subsidised access to high-quality early learning services, delivering greater outcomes for our children when they enter the school system as well as later in life.⁸

THE BENEFIT TO GOVERNMENT

- Following the economic impact of COVID-19 the early learning sector would be able to fulfil its pivotal role in supporting Australia's economic recovery - the more affordable and accessible ECEC services are, the greater the contribution to the Australian economy from parents of young children.
- This approach would be a highly effective spend of taxpayers' dollars, with long term capital savings through a lower spend on human services by Government in the future:
 - Research has shown that by investing in quality early childhood education, children have better education, health and employment outcomes throughout their lives⁹. For every dollar invested now, Australia receives \$2 back over a child's life¹⁰.
- 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 analyses¹¹.

The provision of a **simpler, easier process** for families would translate to far less administration for Services Australia (Centrelink), creating substantial operational cost savings

⁸ <https://www.thefrontproject.org.au/the-evidence>

⁹ <https://www.thefrontproject.org.au/the-evidence>

¹⁰ 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

¹¹ The Heckman Equation - <https://heckmanequation.org/resource/research-summary-lifecycle-benefits-influential-early-childhood-program/>

Preschool (kindergarten) education: A better future with earlier participation & equitable outcomes

THE ISSUES

LACK OF CERTAINTY OF FUNDING

Under the Universal Access National Partnership (UANP) Agreement, the Australian Government provides funding to give all Australian children access to 15 hours per week of a quality preschool (kindergarten) program **in the year before school** (ie. for FOUR-YEAR-OLD children), which remains voluntary in Australia.

In addition to the funding dedicated to this initiative in previous financial years, the Australian Government has committed \$452.3 million to extend the National Partnership on Universal Access to Early Childhood Education until the end of 2021.

As identified in the Key Points of the recent UANP Review: Final Review Report¹² commissioned by the Department of Education, Skills & Employment (DESE), over a period of ten years, the UANP funding has precipitated a significant increase in participation in quality preschool (kindergarten) by children in the year before school. While the number of children enrolled has increased significantly, the proportion enrolled for the target of 600 hours has also increased from **12%** in 2008 to **96%** in 2018.

This is a **tremendous** outcome for Australian children, with the potential to have a profound and lasting impact on the youngest and most vulnerable Australians and their families.

The benefits of high-quality preschool (kindergarten) programs are now well recognised and acknowledged locally and globally, with a large international evidence base demonstrating that quality early childhood education makes a **significant difference** to life outcomes such as improving school readiness and performance at school¹³.

¹² UANP Review: Final Review Report - <http://www.educationcouncil.edu.au/EC-Reports-and-Publications.aspx>

¹³ 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>

While the Australian Government's extension of funding support to the end of 2021 is highly commended and greatly appreciated by the early learning sector, particularly in the context of dealing with the ongoing impacts of COVID-19, we would like to see a long term commitment to this funding, to ensure ongoing stability for families and their children in accessing high-quality preschool services in the year before school.

The findings of the UANP Review: Final Review Report¹⁴ have reinforced ACA's views that a long-term funding model is vital for the ongoing success of Australia's early learning program.

Governments should enter into a new five-year National Partnership from 2021 to 2025, and transition to a National Agreement from 2026 onwards.

The uncertainty associated with short-term agreements and performance-based payments has compromised the ability to plan and invest for the long term. - UNAP Review recommendation #6.

UNEQUITABLE DISTRIBUTION MODEL ACROSS STATES AND SERVICE TYPES

Despite this laudable funding support from the Australian Government, the Universal Access funding model is seriously flawed, resulting in a lack of national uniformity of funding.

Since the inception of the agreement in November 2008 via the Council of Australian Governments (COAG), each State/Territory Government has taken a different approach to implementation, producing grossly inequitable outcomes for children, families and service providers across the country. For example, services in New South Wales and Western Australia receive very little or no funding as a result of state government intervention in the distribution of Universal Access funding.

Our children deserve more.

This funding must **follow the child**, allowing its application to **all Long Day Care Services** regardless of their State or Territory location.

Additionally, parents **must** have a choice of early learning service type that best suits their work/family life needs, while also achieving affordability and educational outcomes.

Australia currently has over 10,000 early learning services delivering preschool (kindergarten) programs nation-wide, with over 60% (over 6,800 services) of these programs being delivered by long day care centres¹⁵ (non-government centre-based day services).

¹⁴ UANP Review: Final Review Report - <http://www.educationcouncil.edu.au/EC-Reports-and-Publications.aspx>

¹⁵ Report on Government Services 2018, PART B, CHAPTER 3, Early childhood education and care, <https://www.pc.gov.au/research/ongoing/report-on-governmentservices/2018/child-care-education-and-training/early-childhood-education-and-care>

ACA believes that co-locating early childhood education programs on school sites, which takes place in Western Australia, as a result of Western Australia Government policy, **puts the needs of the children aged 0-5 years last** by limiting and decreasing the quality of play-based education and care in these environments.

Early learning (centre based, long day care) should be recognised **consistently** Australia-wide as the **key provider** of early childhood education in the year before school.

This is because:

- Early Learning (centre based, long day care) services offer the ideal learning environment for 0-5 year olds.
- It delivers age/developmentally appropriate, tailored and culturally appropriate, physical early learning environments where children can also be bathed, have nappies changed, often provided with nutritious meals and rest/sleep.
- Early learning (centre based, long day care) is highly regulated. It is delivered under the National Quality Framework and the Early Learning Years Framework.
- Early learning (centre based, long day care) offers trained and qualified educators, both from the nurturing and education aspect.
- Our educators are professionally trained, often with degree qualified teacher(s) participating in the program and education of these children.

NO FEDERAL GOVERNMENT SUPPORT FOR EARLIER PRESCHOOL PARTICIPATION IN THE TWO YEARS BEFORE SCHOOL

It is now well understood that a second year of preschool/kindergarten gives our children an even stronger start in life,¹⁶ with play-based experiential learning being the key to the best learning outcomes for young children.¹⁷

ACA believes that government policy should recognise the clear benefit of preschool (kindergarten) programs for THREE-YEAR-OLD children (in addition to four-year-old children), by encouraging and incentivising increased attendance.

Extending the exemption of the activity test for three-year-old children would allow their families the opportunity to engage in a subsidised Three-Year-Old Early Preschool (Kindergarten) Program, whilst leveraging the existing infrastructure and support mechanisms already in place.

¹⁶ Preschool: Two Years Are Better Than One, Mitchel Institute - <https://www.vu.edu.au/mitchell-institute/early-childhood-education/preschool-two-years-are-better-than-one>

¹⁷ Experts warn starting school too young harms learning, wellbeing, <https://www.smh.com.au/education/experts-warn-starting-school-too-young-harms-learningwellbeing-20140125-31fp8.html>

THE SOLUTIONS

We call on the Australian Government to:

- Commit to a 5 year funding arrangement as recommended in the UANP Review: Final Review Report¹⁸ to provide a long term, sustainable model which ensures ensure that **all Australian children** have access to at least 15 hours per week of a quality preschool (kindergarten) program lead by tertiary qualified early childhood teacher(s), for 40 weeks per year in the year before school **regardless of type of service**.
- Modify the existing Universal Access funding model:
 - To provide both greater certainty of funding beyond year to year agreements; and
 - Deliver equitable funding to **all children** (ie. funding that **follows the child**) regardless of service type or jurisdiction. This would support preschool (kindergarten) programs delivered in all settings, including centre based, long day care.
- Extend exemption of the **Child Care Subsidy activity test** for children in their year before school to children in their **two years before school**.

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

THE BENEFIT TO FAMILIES AND TAXPAYERS

- **All Australian children**, including children from **vulnerable and disadvantaged families**, would have greater access to high quality affordable early learning services in their two years before school, which has proven to deliver greater outcomes both when they enter the school system as well as later in life. They would also be more likely to have stronger mental health and increased wellbeing and less likely to be involved in the criminal justice system.¹⁹
- Parents would have the choice of early learning service type that **best suits and supports their work/family life needs**.

¹⁸ UANP Review: Final Review Report - <http://www.educationcouncil.edu.au/EC-Reports-and-Publications.aspx>

¹⁹ <https://www.thefrontproject.org.au/the-evidence>

THE BENEFIT TO GOVERNMENT

- This approach would be a highly effective spend of taxpayers' dollars, with long term capital savings through a lower spend on human services by Government in the future:
 - Research has shown that by investing in quality early childhood education, children have better education, health and employment outcomes throughout their lives²⁰. For every dollar invested now, Australia receives \$2 back over a child's life²¹.
- 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 analyses²².



²⁰ <https://www.thefrontproject.org.au/the-evidence>

²¹ 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

²² The Heckman Equation - <https://heckmanequation.org/resource/research-summary-lifecycle-benefits-influential-early-childhood-program/>

Balancing supply with demand: Aligning early learning service locations to support demonstrable need

THE ISSUES

LACK OF PLANNING IN THE PROVISION OF EARLY LEARNING SERVICE PROVIDERS

Australia's early learning sector provides an essential service to Australian families with young children with both parents participating in the workforce, whilst at the same time providing our youngest generation with the best start in life.

Whilst the sector, regulated by the National Quality Framework, plays a pivotal role in supporting families as well as the Australian economy, the location and availability of services across localised geographic locations is not regulated or managed under a long-term strategic plan.

This means that there is no guarantee of availability of high-quality early learning services for each individual family, regardless of where they live in Australia. Instead availability comes down to whether or not the family is lucky enough to live near a high-quality early learning service.

There are certain geographic areas across the country, particularly in regional and remote areas, which are in dire need of a local, quality early learning service, yet may not be deemed as a promising investment opportunity for property developers.

At the same time ACA has concerns about new constructions of early learning services in areas that are already serviced by a number of high-quality early learning services, which are already operating under their licenced capacity.

LACK OF BARRIERS TO ENTRY HAS CAUSED OVERSUPPLY OF NEW SERVICE PROVIDERS

Oversupply has become a serious issue for Australia's early learning sector. With few barriers to entry for new or existing providers to set up new centres, the saturation of early learning services in certain geographic areas has led to many services experiencing lower occupancy rates.

The situation has led to upwards pressure on fees and downwards pressure on quality, therefore impacting the level of quality provided and the affordability to families.

The early learning sector operates under a unique set of circumstances - families are subsidised by the Australian Government, while service operation includes a high level of fixed costs (wages, rent and mortgages). As a result, fees are relatively inelastic, and typically do not decrease with increased supply and competition.

In 2017 Community Learning Australia (CELA) consulted with over 460 early learning service providers²³ nation-wide (except Tasmania), and found that:

- 66% of responding services had more vacancies and a lower occupancy rate than they did in 2015.
- 80% of services experiencing higher vacancies attributed it to the growth of new services now operating nearby.
- when vacancies are higher, quality education and care suffers in a myriad of ways.
- 40% of services with higher vacancies had increased their fees.

This data illustrates the connection between oversupply of services, quality of care and affordability.

A 2018 report²⁴ jointly commissioned by the Australian Childcare Alliance (ACA), the Early Learning and Care Council of Australia (ELACCA) and Australian Community Children's Services (ACCS) revealed that the net increase in long day care centres in 2017 was roughly 2-3 times the estimated number of new centres needed per annum to meet future demand.

This is an alarming statistic - if the same growth continues in the coming years, there is likely to be an enormous impact on the quality of services and the viability of all early learning services, most likely resulting in an increase in government spending.

Planning data²⁵ predicts that there are currently over 1,000 new centres in the pipeline around the nation which, if completed, could deliver another 90,000 childcare places in an already flooded market. While we know that there are still some locations where demand outstrips supply, it is important for decision makers to be able to identify these few areas in need and understand how these particular communities can be better supported to supply the needs in that space, whether metropolitan or rural.

²³ CELA National Occupancy Survey - Counting Places - www.cela.org.au/2017/06/22/are-we-spoilt-by-choice-when-vacancies-rise-quality-suffers/

²⁴ Occupancy and Performance Appraisal: Early Childhood Education and Care Sector Report, <https://childcarealliance.org.au/aca-surveys/occupancy-report>

²⁵ According to data sourced from Cordell Connect - <https://www.corelogic.com.au/products>.

This situation is compounded by the deceleration of immigration to Australia due to border closures²⁶ and the lowest birth rate recorded in recorded history (1.66 babies per woman in 2019)²⁷, which may contribute to a drop in occupancy rates.

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

ACA strongly believes that in this context, early learning services should only be made available where needed, as part of effective, 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.

BUILDING A MORE RELIABLE, STABLE EARLY LEARNING SECTOR

ACA believes the lack of planning in the early learning sector could be addressed at the government level by implementing a framework similar to the residential aged care sector, which, like the early learning sector, receives government funding via an accreditation process, with services required to meet a set of quality standards.

Additionally the residential aged care sector requires service providers to apply for allocated places in order to receive the relevant government subsidies and supplements, as set out in the *Aged Care Act 1997*.

Allocated places are determined annually through the Aged Care Approvals Round (ACAR), which takes into account the number of available places, the identified needs of a particular planning region and the applications' merits.

A similar system could work well for the early learning sector to disincentivise the ongoing construction of new early learning services without undertaking due diligence to ensure that there is a real demand for the new service location.

The Federal Department of Education receives vacancy reports weekly from all service providers and this information could prove highly valuable for informing the market as to areas of need, to ensure responsible and targeted new developments.

However the Department of Education has informed ACA that it cannot produce aggregated occupancy data reports because the Child Care Subsidy IT System has not been designed for this purpose.

²⁶ The Guardian article - Migration to Australia has fallen off a cliff - will it take the economy with it? - <https://www.theguardian.com/business/2020/aug/02/migration-australia-cliff-economy-international-students-covid-19-coronavirus>

²⁷ Australia's birth dearth: Fertility rate hits a new record low - [Population growth: Australia's fertility rate hits new record low \(thenewdaily.com.au\)](https://www.theguardian.com/world/2020/aug/02/population-growth-australia-fertility-rate-hits-new-record-low)

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; and
- Consider the application of legislation similar in concept to the Aged Care Act 1997 which allows for an annual allocation of subsidised places, in the context of ensuring the provision of ongoing affordable, high-quality early learning services to all Australian children by better aligning service provision to demonstrable, localised need.

THE BENEFIT TO FAMILIES AND TAXPAYERS

- Families would benefit through the ongoing viability, high quality and affordability of early learning services in their local area.

THE BENEFIT TO GOVERNMENT

- The ongoing viability, high quality and affordability of early learning services Australia-wide would ultimately prevent further Government spend on developing unnecessary infrastructure in certain geographic areas.

Investment in Australia's ECEC workforce

THE ISSUES

CRITICAL SHORTAGE OF JOB-READY CANDIDATES

Australia's Early Childhood Education and Care (ECEC) sector is facing a **recruitment crisis**: there is a **critical shortage** of qualified, competent educators and support staff for positions of **early childhood educators (vocationally trained)** and **Early Childhood Teachers (degree-qualified)**, and early learning (childcare) services are struggling to fill these roles.

This is an **immediate problem**, as well as a **long-term labour shortage** which makes it harder for those willing and able to work to find care for their children; when a centre cannot fill job vacancies, this may mean **the number of child care spaces are therefore limited**.

Our sector has been experiencing workforce shortages since the introduction of the National Quality Framework (NQF) in 2012, which increased minimum qualification levels and created an urgent need to employ a higher number of early childhood educators and university qualified early childhood teachers.

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. Meanwhile, service providers have been focussing on the immediate challenges that the nation-wide restrictions brought about in March, including ensuring that their staff are well supported in terms of life wellbeing and mental health. This has left them with little time or resources to focus on professional development.
- in **rural and remote areas**, where population size is an additional barrier to finding suitable candidates.

Even in this era of record high unemployment, the early learning sector is struggling to find appropriately qualified candidates.

THE SUPPORTING DATA

The situation was recently highlighted by the National Skills Commissioner, via the Jobs in Demand Survey Dashboard in July 2020²⁸. A sample size of over 2,400 employers confirmed that ECEC-related occupations and skills remain in strong demand, with ECEC workers the second most difficult occupation to recruit in the period under review.

ACA's member survey conducted in October 2020 confirmed that services across the country are looking for staff to start immediately. In Queensland **40% of services** surveyed had at least one vacant position, with a conservative estimate of **1,000 jobs available now**. In Victoria and South Australia **50% of services surveyed had positions available**, and in Western Australia **over 60% of services surveyed had vacancies**, and well over **1,000 jobs** that need filling immediately. These jobs range from full time, to part time and casual roles.

Survey respondents reported that the hardest jobs to fill are those requiring a Diploma Qualification, followed closely by those requiring a [CHC30113 Certificate III in Early Childhood Education and Care](#). They also identified that the most effective way to address the labour shortage to be '**affordable cost of courses**' as well as '**government support programs**' and '**government subsidised wages**'.

Our members, who are mostly small business employers, report that many potential employees currently on JobKeeper or JobSeeker appear to have no immediate incentive to return to work or to work towards qualifications. Our member surveys show that despite ECEC services offering significant incentives including higher wages, professional development, etc etc; suitable educators, they **simply cannot fill these important educator roles**. The shortage is exacerbated in regional and rural Australia.

The Department of Education, Skills and Employment (DESE) predicts that Australia will need around **49,000 Early Childhood Teachers by 2023**. Recent modelling indicates that **one third** of all preschools may lack a qualified teacher in the next four years if nothing changes²⁹.

THE DETAIL - ECEC QUALIFICATION LEVELS

The two relevant vocational training qualifications in the early learning sector are the [CHC30113 Certificate III in Early Childhood Education and Care](#) and [CHC50113 Diploma of Early Childhood Education and Care](#).

²⁸ Jobs In Demand - Dashboard as at 3 July - <https://www.nationalskillscommission.gov.au/resource-centre/latest-data>

²⁹ "One-third of all preschool centres could be without a trained teacher in four years, if we do nothing", The Conversation article, Author - Megan O'Connell, Honorary Senior Fellow, University of Melbourne - <https://theconversation.com/one-third-of-all-preschool-centres-could-be-without-a-trained-teacher-in-four-years-if-we-do-nothing-120099>

Early learning services generally employ a team of staff which includes early childhood educators (Cert III and/or Diploma-qualified) and Early Childhood Teachers (degree-qualified).

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

ACA recommends addressing this critical issue through funding streams to **all three qualification levels** to help boost supply. This funding should:

1. ensure that courses are adequately resourced to meet the sector's training requirements; and
2. create pathways to sector employment by incentivising Australians on JobSeeker to enrol in Cert III and/or Diploma courses; and
3. provide a pathway for existing Cert III and Diploma-qualified employees to upskill to a Teaching Degree and become ECTs.

We acknowledge and applaud the Federal Government's Australian Apprenticeships Incentives Program (AAIP) (soon to be rebadged the Incentives for Australian Apprenticeships (IAA)), which provides subsidies to employers to take on trainees/apprentices, including the ECEC sector.

ACA believes that further promotion of this program to ECEC service providers would encourage greater sector participation of apprenticeships and traineeships, therefore strengthening the ECEC workforce and helping to stabilise the sector. It would also support the Australian Government's aim of providing employment opportunities for many Australians at a time of high unemployment.

We believe the provision of additional Federal Government funding, coupled with state-based funded traineeships and apprenticeships, could make these courses more affordable and accessible, while minimising HECS/HELP debt, therefore encouraging more students to complete the qualifications.

ACA acknowledges the recent announcement of Australian Government funding to effectively decrease the HECS/HELP debt for a teaching degree by approximately 60%. We would strongly recommend **building on this program** by offering to **waive the full HECS fee** for those vocationally trained early childhood educators, to further strengthen the pathway for existing staff to become Early Childhood Teachers.

ENSURING ADEQUATE VOLUME OF VOCATIONAL GRADUATES

To immediately address the shortage of **Cert III and Diploma-trained candidates**, ACA is asking the Australian Government to fund 5,000 places Australia-wide.

In order to continue to be eligible for JobKeeper/JobSeeker, suitable candidates would complete **5 specific units** of the [CHC30113 Certificate III in Early Childhood Education and Care](#) through a Registered Training Organisation (RTO).

Paired with a host employer they would also **complete 5 days of work experience on-site**. If successful, they would then be offered a traineeship (Certificate III) or apprenticeship (Diploma), with the units already completed being recognised as part of their course.

Employers would be eligible for apprentice/trainee wage subsidies and incentives, and the cost of the course would be free to candidates.

The Government would create or silo **5,000 funded trainee/apprentice wage subsidy places** for the program.

Employers would be eligible for apprentice/trainee wage subsidies and incentives in the form of JobMaker, and the cost of the course would be free to candidates.

Secondly, in order to draw an adequate number of Australians to the ECEC sector, ACA would like to see a government-funded advertising campaign through mainstream media, highlighting the benefits of working in the sector, outlining the career path and providing a clear call to action for jobseekers to find a local trainee position.

ENSURING HIGH-QUALITY ENTRY-LEVEL GRADUATES

ACA believes that apprenticeships and traineeships are the best model to ensure that **entry-level** graduates are job-ready and understand the practical elements of the role as an early childhood educator, as they offer far greater on-the-job experience than standard voluntary placement hours, allowing students to put their learning into practice while in paid employment for the duration of the course. This model also provides appropriate incentives for employers, through the Australian Apprenticeships Incentives Program (AAIP), which will in January become the Incentives for Australian Apprenticeships (IAA).

However, we note that the government funding of RTOs to deliver early childhood vocational education is **insufficient** to support quality outcomes required against the Australian Skills Quality Authority (ASQA), state/territory regulatory requirements and training package requirements.

We would like to see greater funding to meet the requirements of the mandated course load, which is substantially higher than most other certificate and diploma level courses.

ENSURING ADEQUATE VOLUME OF DEGREE-QUALIFIED EARLY CHILDHOOD TEACHERS

To immediately address the urgent problem of **degree-qualified ECEC candidates**, ACA is asking the Australian Government fund a national university initiative which aims to replicate the Victorian "[Accelerated Early Childhood Education Program](#)" Australia-wide via engagement with Universities Australia and university stakeholders.

This innovative degree program has been developed to fast-track 76 Victorian educators through Deakin University's trimester model of delivery, in order to upskill to the degree qualification level of early childhood teacher in a period of **18 months**, instead of the usual three years.

Eligible participants will also receive extra support within early childhood services, including mentorship and time release for study.

ENSURING THE EARLY LEARNING WORKFORCE IS EQUIPPED TO ADDRESS MENTAL HEALTH ISSUES AND FAMILY VIOLENCE

Last year ACA joined forces with Monash Partners and Maridulu Budyari Gumal, which make up the Sydney Partnership for Health, Education, Research and Enterprise (SPHERE) and SNAICC - the National Voice for our Children, the national peak body for Aboriginal and Torres Strait Islander children. The collaboration aimed to build capacity in early childhood educators to identify the risk factors of family violence and mental illness and intervene early.

In this proposal to address family violence³⁰, we jointly recommend the provision of government funding to develop the systems approach needed to implement evidence-based training and resources for educators and the curriculum and pedagogical practices that will reduce the prevalence of **family violence** and reduce the development of engrained child behaviours and beliefs that lead to family violence in later life, especially when intergeneration effects are at play.

We would also create the curriculum and pedagogical practices that will reduce the prevalence of family violence and reduce the development of engrained child behaviours and beliefs that lead to family violence.

In the proposal to address mental health³¹, we jointly recommend the provision of government funding to allow for the roll out of tailored training for Australia's early childhood educators which would equip the sector with the skills to more rapidly, identify and support those children and their families who are struggling with mental illness.

We acknowledge that the National Support for Child and Youth Mental Health Program has produced two valuable initiatives which can be used by the early learning sector - the National Workforce Centre for Child Mental Health, led by Emerging Minds; and Be You, led by Beyond Blue, which focuses on schools and educators. Be You offers evidence-based online professional learning, tools and resources for educators in early learning services and schools. Together, these two initiatives aim to improve mental health outcomes for children and young people, commencing with the early years and going through to adolescence.

In particular, Be You has developed a suite of modules for early childhood educators resources to help educators respond to the **mental health impact** of the COVID-19 pandemic, with multiple modules that can be undertaken over a period of at least 12 weeks.

³⁰ <https://childcarealliance.org.au/documents/posters/150-aca-monash-sphere-snaicc-joint-pre-budget-submission-december-2019/file>

³¹ <https://childcarealliance.org.au/documents/posters/153-aca-monash-snaicc-and-sphere-joint-pc-submission-on-mental-health-jan-2020/file>

However in order to access these resources and complete the modules, early childhood educators would need to take time away from their regular duties. This is unlikely to happen unless service providers have the resources to allow their team of staff to do this.

We therefore recommend a funding mechanism that ensures that all early learning service providers are in a position to allow their team of staff to undertake this critical training.

THE SOLUTIONS

We call on the Australian Government to:

- Immediately create or silo **5,000 funded trainee/apprentice wage subsidy places** in the early learning sector, targeting school leavers, unemployed and people wanting to reskill into a new career. They will be trained for a role that cannot be offshored, thus offering long-term career prospects in a stable sector of the economy.
- 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.
- Provide HECS/HELP relief for diploma trained ECEs who choose to upskill to an Early Childhood Teaching Degree.
- Immediately provide the funding and resources to create a 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 encourage unemployed Australians to consider working in the early learning sector through an entry-level Traineeship. This communications campaign would require an advertising budget and strategy, plus the development of a central information resource (ie. website and 1300 number) for further information, including the application process.
- Create incentives for Australians on JobSeeker to enrol in ECEC courses and to become job-ready candidates.
 - This should include a national advertising campaign to boost interest in the early learning sector and help align jobseekers with immediate employment opportunities.
 - We also recommend that each jurisdiction provides an exemption period of three months prior to the need for enrolment in a relevant ECEC qualification.
- Provide a funding program to develop the systems approach needed to implement evidence-based training and resources for educators and the curriculum and pedagogical practices that will reduce the prevalence of **family violence** and reduce the development of engrained child behaviours and beliefs that lead to family violence in later life, especially when intergeneration effects are at play.
- 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).

THE BENEFIT TO FAMILIES AND TAXPAYERS

Families would benefit through:

- The ongoing provision of high-quality early learning services in their local area, resulting from the pool of skilled ECEC sector job candidates.
- A long term, stable sector with ample capacity to educate children and support families.

THE BENEFIT TO GOVERNMENT

Short term

- Funding support for ECEC vocational education would mobilise the underutilised workforce while the economy is in hiatus.

Long term

Funding support for ECEC vocational education would:

- Produce a stable, reliable source of high-quality, appropriately qualified candidates for the early learning sector - the bedrock of Australia's economy.
- Stimulate the tertiary education sector with an ongoing supply of incoming students.



Email:
president@australianchildcarealliance.org.au

Website: www.childcarealliance.org.au

Phone: 0411 587 170

Facebook: www.facebook.com/childcarealliance

Twitter: www.twitter.com/ChildcareAus

