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Child Care Assistance Package  
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## **Regulation Impact Statement: Child Care Assistance Package**

### **Introduction**

The Federation of Ethnic Communities' Councils of Australia (FECCA) is the national peak body representing Australia's culturally and linguistically diverse (CALD) communities and their organisations. FECCA provides advocacy, develops policy and promotes issues on behalf of its constituency to Government and the broader community. FECCA supports multiculturalism, community harmony, social justice and the rejection of all forms of discrimination and racism so as to build a productive and culturally rich Australian society. FECCA's policies are developed around the concepts of empowerment and inclusion and are formulated with the common good of all Australians in mind.

FECCA endorses the submission by Professor Deb Brennan and Dr Elizabeth Adamson from the Social Policy Research Centre, UNSW. We provide the following comments to highlight the particular circumstances and experiences of many CALD families in Australia.

### **Culturally and linguistically diverse workers in Australia**

Many people from CALD backgrounds are employed in insecure work which is often low paid, unsustainable, dangerous and isolating. Women from CALD backgrounds are overrepresented in insecure employment fields which include industries such as manufacturing, accommodation, food services, cleaning and labouring. They are more likely to be employed on a casual basis and to be at a disadvantage negotiating terms of employment. CALD workers may have working hours which differ greatly depending on the availability of work. Further, migrants and refugees experience higher levels of unemployment due to a range of factors, including discrimination, education background, skills recognition, language barriers and lack of Australian work experience.

Employees from non-English speaking backgrounds generally have poorer employment outcomes in Australia compared to native English speaking workers. Many migrants and refugees are earning at or below the minimum wage. Newly arrived migrants (particularly those without English) are more vulnerable to poverty and disadvantage.<sup>1</sup> As an example, 38 per cent of skilled stream migrants and 58 per cent of family stream migrants have incomes of less than \$600 a week.<sup>2</sup> Humanitarian stream migrants overwhelmingly earn less than the minimum wage. 72 per cent of Humanitarian stream migrants have incomes of less than \$600 a week, 21 per cent earn between \$300 and \$599 per week, and almost 42 per cent of these migrants are in the lowest income group (\$1 to \$299 per week).<sup>3</sup>

FECCA is concerned that the three-tiered activity test will disproportionately affect CALD families due to the high proportion of CALD workers, particularly women, in insecure and variable employment. Unemployment and low or variant work hours, should not affect access to child care.

### **Other matters**

We echo the concerns expressed by Professor Brennan and Dr Adamson in their submission about the complexity of the Child Care Assistance Package. We believe that families will have difficulty understanding what subsidies that are available to them, particularly when their work hours vary week to week. Safeguards built into the package, including the Child Care Safety Net, require parents to fill out additional forms which may be an additional burden on CALD families who do not have adequate English literacy.

FECCA highlights the importance of child care and early childhood education for CALD children. Children of migrants and refugees may not have much or any exposure to English language at home, so child care is particularly important for the development of their language skills. Child care also provides an important opportunity for migrant children to be exposed to Australian social norms, assisting with their later transition to formal schooling.

FECCA welcomes the support that the Inclusion Support Programme will provide to child care services to provide inclusive services for CALD children.

### **Conclusion**

We support the recommendations made by Professor Brennan and Dr Adamson in their submission.

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<sup>1</sup> Senate Community Affairs References Committee, *Bridging our growing divide: Inequality in Australia* (December 2014), 103.

<sup>2</sup> Australian Bureau of Statistics, *Understanding Migrant Outcomes – Enhancing the Value of Census Data, Australia, 2011*, available at:

<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/3417.0Main%20Features22011?opendocument&tabname=Summary&prodno=3417.0&issue=2011&num=&view=>

<sup>3</sup> Ibid.



# Childcare Assistance Package: Regulation Impact Statement Submission

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The childcare package is intended to make services ‘**simpler, more affordable, accessible and flexible**’.<sup>i</sup> Our analysis suggests that, instead, the package will **reduce access and flexibility and introduce unprecedented complexity**. Cheaper childcare for working families will be funded by cuts to family benefits that will fall most heavily on low-income families, many of whose children will be excluded from childcare under the proposed package.

## 1. Simple?

The package is extraordinarily complex. Even as experts in the field, we are baffled by its complexity. In the last 18 months, the sector has absorbed a 918-page draft Productivity Commission report, a 782-page final Productivity Commission report and now a 98-page Regulation Impact Statement outlining the ‘implementation options’ being considered in relation to the Package. The detail and red-tape are unprecedented in the ECEC sector.

The new, three-tiered **activity test** fails to acknowledge Australia’s increasingly flexible and unpredictable labour market. It is likely to confuse and intimidate parents rather than support their workforce participation<sup>ii</sup>. Parents who have insecure, variable or unpredictable employment will not know from week to week what their entitlement to subsidy will be. Yet in these types of jobs parents are often trying to gain a foothold in a precarious labour market that offers ‘zero hours’ contracts and other forms of limited employment. The package makes access to ECEC more complex for these families and is the wrong direction for policy.

The package imposes heavy administrative burdens and red tape on providers. For example, the RIS identifies 17 types of activity ranging from ‘setting up a business’ to engaging in ‘voluntary work’ (RIS, p. 49) that will be used to assess eligibility under the activity test. Such detailed categorisation is out of touch with the flux of families’ work, study and voluntary activities. Complex activity testing has no place in a ‘simple’ system.

The rules surrounding children ‘at risk’ impose further administrative burdens on service providers and are damaging and stigmatising to children and families.

**A simple system would provide access to ECEC to every child regardless of parents’ workforce status.**

## 2. Affordable?

The move to a single means-tested subsidy is welcome, and the introduction of a benchmark fee addresses concerns about the inflationary effects of the Child Care Rebate. The proposed Child Care Subsidy, and its benchmark fee, will make child care more affordable for most low-

to middle-income families *with predictable and secure employment*. However, this does not equate to accessible and equitable ECEC.

More work is required to determine the actual cost of delivering care. Variable benchmark fees may be required to take account of the higher costs for infant care (0-2s).

**Sector consultation is required to determine the actual cost of delivering high quality ECEC to different age groups in different settings and locations.**

### 3. Accessible?

The package strongly favours families with regular, predictable hours of work but reduces access for other. This is out of touch with the realities of modern life. In nearly 60% of all couple families, one or both parents usually works between 7pm and 7am; in 41% of families, one or both parents work shift work and in 15 per cent of families one or both parents work weekends.<sup>iii</sup>

Under the package, parents' hours of work will determine the hours that children can access ECEC. Less parental employment equates to less early education and care. Yet the research is clear: children from disadvantaged and jobless families gain the most from quality child care.

Although there are exemptions (e.g. for children in families under \$65,000 will be eligible for a limited subsidy), families often experience such measures not as a 'safety net' but as a stigmatising and complex spider web of form-filling (RIS Section 5.2, 5.3).

**Providing 2 days per week of subsidised ECEC for all children (as in the current system) and expanding provision are far more effective ways of ensuring access.**

The Community Child Care Fund does not address long-term sustainability of vital Budget Based Funded (BBF) services. Many will be unable to transition to mainstream funding and children may lose access entirely if closures result. Even where services can make the transition, fees are likely impose a barrier to many children's participation.

**An accessible system would enable all children to access child care, regardless of their parents' income, location, workforce participation, cultural or ethnic background.**

### 4. Flexible?

The nanny trial is the only initiative that addresses flexibility. However, with a maximum subsidy of \$7 per hour per child, nanny care will no be an option for most families.

There are no measures in the package that will make LDC more flexible – indeed, many of the new rules (discussed above) will make it more rigid.

The 12 hours subsidy for children whose parents don't meet the activity test introduces a new rigidity into the system. Most centres charge a full day rate, so these families will typically have access to only one day. One day is not sufficient for children to settle into a service, develop bonds with educators and peers.

Family Day Care has the potential to offer flexible services but has been excluded from most elements of the Community Child Care Fund. In regional areas where Long Day Care is not sustainable, Family Day Care may be more appropriate service model.

**Flexible childcare is achieved by enabling a range of providers (not just nannies) to meet families' needs for variable, non-standard and unpredictable hours of care.**

## **5. Who will pay?**

Funding for the Childcare Assistance package will come from cuts to family payments and parental leave announced in the last two budgets.

In the 2014-15 budget, the government announced its intention to limit Family Tax Benefit Part B to single income families with children under 6, resulting in the loss of \$48.50 a week for single parent families with youngest child aged 6-12 years. It also announced plans to freeze family payment rates for two years, which will reduce payments to low-income families, and to reduce supplements. The 2015-16 Budget limits access to the Paid Parental Leave Scheme to parents who do not have access to an employer scheme of equal or greater value<sup>iv</sup>

ACOSS estimates that these changes will reduce spending on family payments by \$9 billion. Approximately \$6 billion of the cuts will adversely affect low-income households.

Low incomes families are expected to be the 'lifters' who fund the Childcare Assistance package, but many children in these families will be excluded from ECEC because their parents do not meet the activity test.

In summary: the proposed childcare package **will not deliver simpler, more accessible or more flexible childcare**. While services will be more affordable for most employed families, this will come at the cost of excluding many children whose parents do not meet the activity test. The Safety Net and other exemptions provide some protection, but research shows that selective provision is not as effective as universal services. It is precisely the children who would most benefit from ECEC that are likely to miss out because their parents do not meet the Government's activity test.

## What steps should Australia take?

Our report *Baby Steps or Giant Strides* (attached) proposes five ‘giant strides’ that Australia should take in ECEC policy. These are:

### Seamless transitions between parental leave and ECEC

A seamless transition from parental leave to a guaranteed childcare place would be a giant step forward for Australia. Providing a subsidised, high quality childcare place at the end of paid parental leave maximises family choice and flexibility. The plan to reduce access to Paid Parental Leave scheme will move Australia in completely the opposite direction.

### Entitlements and targets

Free ECEC is offered in a growing number of countries. New Zealand provides 20 hours free ECEC for all 3- and 4-year olds regardless of parental income or workforce participation. England provides 15 hours per week free to all 3- and 4-year olds and the most disadvantaged 2-year olds. The proposed childcare package excludes most children whose parents do not meet a complex, 3-tiered activity test. This is a step in the wrong direction. All children should have access to two days free or subsidised ECEC per week.

### Capped fees

Capping fees is an effective way to increase both ECEC usage and parental labour force participation. In Quebec, parents pay a flat rate of \$7 per day and in Norway, the government limits the fees that can be charged (even though many providers are private businesses). Universal systems that offer free or subsidised child care are far more effective at raising parental workforce participation than those hemmed in by activity tests and other barriers.

### Planned provision

Entitlements or ‘aspirations’ (such as the COAG aspiration that every child has access to 15 hours preschool per week in the year before school) are ineffective if services are not available and/or accessible. Governments need to assume some responsibility for planning and coordinating services. This is the case in many Nordic countries, where local governments have a responsibility to find a place for all children whose parents request one.

### Services, not subsidies

A number of European countries have experimented with cash-for-care schemes, but the evidence suggests these are usually taken up for women from low socioeconomic backgrounds who have few skills and employment opportunities. These schemes reduce mothers’ incentives to retrain and return to work and, at the same time, result in fewer children from low-income families attending formal ECEC services. International experience offers a cautionary tale for any future policy developments in this area.

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<sup>i</sup> Australian Government (2015). Families Package, Budget 2015-2016

<sup>ii</sup> Skattebol, J. et al (2014) *Families at the Centre*, Kensington, UNSW. (This project showed confusing bureaucratic language and complex form-filling can act as a deterrent to ECEC usage.)

<sup>iii</sup> Australian Bureau of Statistics. (2009). Work, life and family balance ABS Australian Social Trends (Vol. 4102.0)

<sup>iv</sup> ACOSS (2015) Budget Analysis 2015-2016