

Budget 2021 - Education

Early childhood education and care overview

The Budget 2021 Women's Economic Security measure of \$1.7 billion to reduce child care costs is limited to families who have more than one child five years or under in child care, as well as higher income families, for whom the cap of \$10,560 on the Child Care Subsidy will be removed. Both measures will only apply from July 2022. For the much larger proportion of families using subsidised care, there was no change in this Budget. NFAW supports the Government's announcement of ongoing funding of \$1.6 billion over four years from 2021-22 for preschool, with \$589.0 million per year ongoing. NFAW is concerned there were no measures in the Budget to improve pay and retention of early childhood educators.

Early childhood education and care (ECEC)

The Budget

The 2021 Budget increases overall outlays on the Child Care Subsidy (CCS) from \$8.97 billion in 2021-22 to \$11.97 billion in 2024-25, with an additional \$1.7 billion over five years (and \$671.2 million per year ongoing) to increase support for parents with more than one child under five years of age in child care.

Program Expenses 1.2 Child Care Subsidy

	2020-21 Estimated actual \$'000	2021-22 Budget \$'000	2022-23 Forward estimate \$'000	2023-24 Forward estimate \$'000	2024-25 Forward estimate \$'000
Special appropriations:					
<i>A New Tax System (Family Assistance) (Administration) Act 1999 (a) (b)</i>	8,968,183	9,491,616	10,644,486	11,180,039	11,969,947
Total program expenses	8,968,183	9,491,616	10,644,486	11,180,039	11,969,947

2021 DESE Budget Statements, p. 36.

From July 2022 the Government will increase the CCS by 30 percentage points, up to a maximum CCS rate of 95 per cent for the second child and subsequent children aged five years and under in centre-based child care, family day care and outside school hours care. The Government will also remove the annual \$10,560 per child cap on the CCS for families earning between \$189,390 and \$353,680 from July 2022. These measures are expected to reduce out-of-pocket costs for families with children in child care, as well as help to reduce the workforce disincentives faced by these families. The cap does not apply to families earning below \$189,390.

The Government will provide \$1.6 billion over four years from 2021-22 (and \$589 million per year ongoing) to make an ongoing Commonwealth funding contribution to preschool. The first four years of funding, covering the 2022 to 2025 preschool years, will be delivered through a new four year funding agreement to be negotiated with the states and territories to replace the National Partnership Agreement on Universal Access to Early Childhood Education. The new agreement will support continued universal access to at least 15 hours of preschool each week (600 hours per year) for children in the year before they start school.

Guaranteeing Universal Access to Preschool

Payments (\$m)	2020-21	2021-22	2022-23	2023-24	2024-25
Department of the Treasury	-	136.0	459.3	479.0	519.7
Department of Education, Skills and Employment	-16.0	20.3	12.9	7.7	3.6
Total — Payments	-16.0	156.4	472.2	486.7	523.3

2021-22 Budget Paper No 2, Part 2 p.91

Funding for preschool will be contingent on the states and territories agreeing to a reform timeline focused on increasing participation and school readiness. From 2023 this will include ensuring that every child enrolled in an approved preschool program will see the full benefit of Commonwealth funding (around \$1,340 per child in 2022), regardless of the preschool setting. From 2024 payments to states and territories will be tied to attendance targets. A preschool outcomes measure will be developed and trialled for introduction in 2025. The measure includes \$33.6 million over five years from 2021-22 (and \$2 million per year ongoing) to improve preschool data collection and underpin the new outcomes framework supporting the reform.

The Government has also allocated \$12.6 million over four years to streamline the regulatory system as part of its deregulation agenda, including a new consolidated child care website to make it easier for families to get accurate information about local child care services, as well as implement more monitoring, data sharing and compliance operations with jurisdictions.

The Government announced \$17.9 million is being allocated over four years to establish a new early childhood program focused on children with disability or developmental concerns. In addition, the Government has allocated \$100.8 million in mental health funding to support parents and early intervention, as well as establish child mental health and wellbeing hubs with the states and territories.

Gender implications

Why is this an issue for women?

More affordable and accessible ECEC is needed to support working families and boost women’s work force participation. Australia ranks in the top ten OECD countries (and above the OECD average) for [financial disincentives to enter employment](#) with child care costs. The cost of ECEC can be a significant barrier for women and secondary earners taking on additional work. Research by [KPMG](#) and the [Grattan Institute](#) has identified that the interaction of ECEC costs with

Australia's tax and transfer systems commonly results in Workforce Disincentive Rates (WDR) of 75-120 per cent, whereby a WDR of 100 per cent means there is no economic benefit is gained from working additional days. From a workforce productivity perspective, this needs to be addressed as women are unlikely to increase their working hours if there is little financial incentive to do so.

In spite of major Australian Government reforms introduced in 2018 to make child care more accessible and affordable, families continue to report that the cost of ECEC is high and it impacts disposable income. This has been a consistent finding, particularly for low income families, in the [Household Income and Labour Dynamics Australia Survey \(HILDA\)](#). The [HILDA 2020 Statistical Report](#) notes that child care fees have risen by about 145 per cent in real terms since 2002. The Productivity Commission's 2021 [Report on Government Services](#) also revealed a sharp 21.7 per cent rise in the number of parents and carers in Australia who did not work because of associated child care costs in 2020, compared with the previous 12 months. This equates to more than 90,000 Australian parents.

What are the 2021 Budget impacts on women?

The NFAW welcomes the child care measures in the 2021 Budget but notes the allocation of \$1.8 billion over five years from 2020-21 under the Government's *Women's Economic Security Statement* (to improve women's workforce participation and economic security) is largely made up of the \$1.7 billion CCS child care measure. The NFAW is concerned that the Government's CCS affordability measure is limited to families with more than one child under five years in subsidised child care. It will not benefit families with only one child in child care, nor will it assist families with one child in child care and other children over five years of age in outside school hours care.

The Australian Government's [joint ministerial media release](#) prior to the Budget announced that the CCS measure is expected to benefit around 250,000 families and the removal of the \$10,560 cap on CCS will benefit around 18,000 families. Around 933,000 families use subsidised care ([DESE child care data](#), March 2020). The measures will therefore will only assist a relatively small proportion of families who can afford to have more than one child in subsidised care – there is little benefit for all other families. Moreover, the measures are deferred to July 2022 and may be 'too little, too late' to help families struggling with the cost of care during [the COVID-19 pandemic](#).

The NFAW supports the Government's announcement of ongoing funding for preschool and, in particular, that funding is to follow the child whether their preschool program is a state/territory school, a long day care centre, a stand-alone or community preschool. This a welcome change for around 80,000 children in preschool programs around Australia who do not currently get the full benefit of Australian Government preschool funding because some states and territories do not pass it on in full. The NFAW notes that no measures were announced in the Budget to support preschool provision for three-year-olds or boost early engagement in preschool by vulnerable or disadvantaged children. However, the NFAW welcomes the investment of \$17.9 million to create an early childhood program for children with disability or developmental concerns, as well as \$100.8 million allocated for mental health funding to support parents and early intervention, including establishing child mental health and wellbeing hubs with the states and territories.

The NFAW notes there were no measures in Budget 2021 to support better pay for child care educators – a predominantly female, low-paid workforce. Currently, there are early educator workforce shortages which improved pay and conditions might help address. Better remuneration for early childhood teachers employed in government and non-government preschools and child care centres will likely need to be considered as a result of the Fair Work Commission’s recent decision on [Equal Remuneration and Work Value](#), which proposed modifications to the remuneration structure in the Education Services (Teachers) Award and pay increases.

Recommendations

The NFAW calls on the Australian Government to implement a broader range of measures to address the affordability and accessibility of ECEC to support *all* families and boost women’s workforce participation, particularly in view of the [effects of the COVID-19 pandemic](#):

- amend the Child Care Subsidy Activity Test to make it easier for families to get the hours of subsidised ECEC they need for work, study, training or recognised volunteering activity, as well for as children’s early development
- ensure that vulnerable or disadvantaged families and ECEC services are not left unsupported or in debt through complex requirements for subsidies
- increase support for Aboriginal controlled child care services and initiatives to promote engagement by Indigenous children and families
- provide funding for 15 hours per week of preschool for vulnerable and disadvantaged three-year-olds
- provide incentives to child care services to make child care cheaper for families, for example, by paying a higher hourly rate for shorter sessions of care (say, 6-9 hours per day rather than 10-12 hours, which is the standard session of care in centre-based day care)
- raise the hourly rate cap for each service type to reflect higher than inflation increases in the cost of ECEC (rents, wages, food and other overheads) and avoid these costs being passed on to families in higher child care fees
- introduce monitoring of fees by the Australian Competition and Consumer Commission.

In the longer term, the NFAW recommends the Government consider:

- raising the level of CCS from 85 to 95 per cent for low-income families below \$70,000, with a more gradual taper to make child care more affordable (cutting out at zero per cent for very high income families)
- introducing subsidised ‘wrap-around’ care options families using stand-alone community or government preschools, similar to outside school hours care for school age children
- further exploring flexible care options for families undertaking shift work or working from home (following on from the Nanny Pilot Program which ended in December 2017)
- offering a tax offset up to 32.5 per cent for approved care options for families not eligible for the CCS

- supporting further increases to minimum wages for early childhood educators under the Children's Services Award and Educational Services (Teachers) Award, to help address low pay, recruitment and retention issues as well as the gender pay gap for feminised caring professions.

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