

Budget 2020 – Early Childhood Education and Care

Early Childhood Education and Care Overview

The focus of the 2020 Budget has been to support Victorian ECEC services to remain open and viable during the pandemic and allow families of essential workers and vulnerable children to access ECEC. While families across Australia are being supported until 4 April 2021 through an easing of the Child Care Subsidy activity test requirements, there are no other new measures to support families with the cost of ECEC, or to better remunerate early childhood educators.

Early Childhood Education and Care

The Budget

The Budget announced a COVID-19 response package of \$314.2 million to support Victorian Early Childhood Education and Care (ECEC) services to remain viable as COVID-19 restrictions ease in Victoria. The package includes a range of recovery payments and supports for child care services and is in addition to Child Care Subsidy (CCS) payments for vulnerable children and those of permitted workers who have been able to use care in metropolitan Melbourne until 27 September 2020. The package will extend from 28 September 2020 until 31 January 2021. The recovery payments follow \$51.7 million provided by the Australian Government in 2020-21 to assist Victorian services to stay operational and keep essential workers employed during the stage four lock-down restrictions (Budget Paper No.2, Budget Measures, Part 2, p.73, 2020).

COVID-19 Response Package — child care — Victorian recovery payments and other support measures

Payments (\$m)

	2020-21	2021-22	2022-23	2023-24
Department of Education, Skills and Employment	365.9	-	-	-
Services Australia	5.7	0.5	0.4	0.4
Total — Payments	371.6	0.5	0.4	0.4

Source: 2020 Budget Paper No. 2, Budget Measures, Part 2, Payment Measures – Education, Skills and Employment, p.73.

For all other families across Australia using approved care, the Government has confirmed that it will extend the easing of CCS activity test requirements until 4 April 2021. This will support

eligible families whose employment has been impacted by COVID-19 by allowing them to access up to 100 hours care per fortnight without having to meet the activity test requirements.

Under the *JobMaker – Deregulation Package*, the 2020 Budget also announced \$18.5 million over four years from 2020-21 (with \$2 million per year ongoing from 2024-25) to streamline ECEC provider approval processes into a single application across jurisdictions, allowing for faster establishment of new ECEC businesses and employment of their staff (Budget Paper No.2, p.56, 2020).

Overall, the Government will invest funding of \$10.3 billion in the child care system in 2020-21, as well as \$458.3 million over two years from 2020–21 to extend the National Partnership Agreement on Universal Access to Early Childhood Education for the 2021 calendar year. Funding will also be made available to undertake the National Early Childhood Education and Care collection in early 2022 (Budget Paper No.2, p.74, 2020).

Gender implications

Why is this an issue for women?

Access to affordable ECEC is vital for families as Australia works through the impacts of COVID-19. The Government acknowledges that women have been significantly affected by the pandemic and they will play a significant role in Australia’s recovery (Women’s Economic Security Statement, 2020, p.3).

Women’s workforce participation is closely linked to productivity. Australian Bureau of Statistics data indicate that while women’s workforce participation rate (ages 15+) rose gradually from 58.7% in September 2013 to 61.5% in January 2020, it fell to 57.5% in May 2020. There was an increase in women’s workforce participation rate between May and August 2020 of 2.4 percentage points to 60% (ABS Labour Force Australia, August 2020). However, this growth may only continue if the economy picks up and women’s workforce participation is supported through access to flexible and affordable ECEC.

What are the 2020 Budget impacts on women?

The 2020 Budget builds on earlier measures in 2020 to help the ECEC sector manage the impact of the pandemic: a Relief Package (6 April to 12 July) and a Transition Payment (13 July to 27 September). Together with the Recovery Package for Victorian services announced in the 2020 Budget, the measures have helped to ensure 99% of 13,400 ECEC services remained open and viable across Australia (Women’s Economic Security Statement, p. 39, 2020). These measures to ensure viability of the sector have been necessary and welcome.

On the demand-side, the viability of the ECEC sector will depend on the extent to which families, and women in particular, are able to enter or remain in the workforce, access and meet the cost of ECEC. The 2020 Budget’s ECEC measures only provide families with a reassurance that the activity test requirements will be eased until 4 April 2021. If the intention is to assist individuals to return to the level of work, study or training they were undertaking before the pandemic, early April may too soon to reimpose the activity test requirements. The activity test disproportionately affects women, including partnered or single women who tend to have fewer hours of approved activity than men and want to balance work and family life through part-time work. It also limits children’s access to subsidised ECEC where women are not able to work more

for various reasons, unless they have an exemption from the activity test or the family qualifies for the Additional Child Care Subsidy (ACCS).

The 2020 Budget did not promise any other support to families to meet the cost of ECEC in spite of calls to increase the subsidy by 10-15% (Early Childhood Australia, p.2, 2020). The hourly rate of CCS is linked to the Consumer Price Index, yet wage price growth is usually higher than inflation and wages make up a high proportion of the costs of delivering ECEC services. Over time, this will result in increasingly higher fees and out-of-pocket costs for families.

The NFAW acknowledges that the tension between reducing the cost of care for families and increasing wages for women working in ECEC. Better remuneration is needed in the sector – women comprise nearly 96% of the child care workforce and 87% of the preschool workforce, with a gender pay gap of nearly 28% (Workplace Gender Equality Agency, 2020). This is only likely to improve if the Government is prepared to increase the hourly subsidy rate cap to allow ECEC services to support wage rises, or provide other funding support in recognition of the importance of ECEC as an ‘essential service’ to the economy.

The Budget also did not respond to growing calls to raise the level of subsidy for the lowest income groups from 85 to 95% of the hourly rate cap paid by the Government, with a more gradually tapered subsidy for all families with income above \$68,000 (Grattan Institute, 2020; Equal Rights Alliance, 2020). Under the Grattan Institute’s proposal, modelling indicates that 60% of families would pay less than \$20 per day per child for childcare and no family would be worse off. They estimate that increasing the CCS to 95% with a gradual taper would cost \$5 billion and would deliver a GDP boost of \$11 billion per year (Grattan Institute, p.3, 2020).

In the medium to longer term, vulnerable and disadvantaged families are likely to need extra support with the cost of care, for example, through an expansion of eligibility for the ACCS and a simplified application process. [Participation by Indigenous children and vulnerable children in ECEC was boosted](#) during the period of the Government’s \$1.6 billion Relief Package period from 6 April to 12 July, when eligible families had access to free childcare and, in many cases, increased their days of care. This welcome support for vulnerable families and essential workers was wound back with recommencement of the CCS system on 13 July 2020.

While not acknowledged in the Budget, it is also likely that in the short to medium term, greater flexibility in care arrangements and ECEC fee structures may be needed to accommodate women’s (and men’s) changed work patterns as a result of the pandemic. The median length of a centre-based day care session is 11 hours, which quickly uses up available subsidised hours for families needing shorter sessions of care (Baxter et al., 2019). In light of the reinstatement of mutual obligations for every worker to take all work available, including part-time and casual work, the Government needs to consider mechanisms to increase flexibility for families around the length of care sessions, while maintaining the capacity of services to meet staffing costs (Equal Rights Alliance, 2020, p.2).

More wrap-around care arrangements are also needed for families using stand-alone preschool in the year before full-time school, similar to before and after-school care for school age children.

Finally, the Budget missed an opportunity to provide any assurance to services and families on the continuation of the National Partnership on Universal Access to Early Childhood Education beyond 2020-21. The \$458.3 million announced in the July 2020 Economic and Fiscal Update will

be provided over two years from 2020–21, although it will only extend the National Partnership for the 2021 calendar year (Budget Paper No. 2, Appendix A, p.235, 2020).

Access to 600 hours per year of preschool for all children in the year before full-time school has been funded through the National Partnership since 2008, with participation rates increasing from 12% in 2008 to 96% in 2018. The benefits of funding universal access to early childhood education have been demonstrated in the international and Australian research literature and in many reviews of successive National Partnerships, yet funding is still not assured going forward.

A cost-benefit analysis undertaken in 2019 found that universal access to early childhood education (preschool) produces a 1:2 return on investment in Australia, with \$4.75 billion worth of benefits to children, communities, government and business (The Front Project, 2019, pp.5-6). The latest review of the National Partnership in March 2020 for the Council of Australian Governments' Education Council recommended a new five year National Partnership Agreement, transitioning to a National Agreement from 2026 (The Nous Group, 2020, p.1).

While NFAW notes some pleasing developments in the provision of preschool for vulnerable and disadvantaged three year olds in some states and territories around Australia, it is disappointed that the 2020 Budget did not address future Australian Government funding for the National Partnership on Universal Access to Early Childhood Education beyond the 2021 calendar year.

Recommendations

The NFAW recommends:

1. The Government extends easing of the activity request requirements until at least June 2021 (Early Childhood Australia, Federal Budget 2020-21 Summary Analysis, October 2020).
2. Better remuneration for women employed in the sector through an increase above the CPI in the CCS hourly rate paid by the Australian Government for different ECEC service types.
3. An increase in the percentage of subsidy received by low income families, from 85 to 95% of the hourly rate cap and a more gradual taper for all families, up to a combined annual family income between \$69,690 and \$353,680 (indexed annually).
4. Broader ACCS eligibility (with a simplified application process), waiving of gap fees and/or no activity test requirements for lower income vulnerable families and Aboriginal and Torres Strait Islander families, to boost children's participation in quality ECEC programs.
5. Flexible child care arrangements with access to shorter sessions of care to assist part-time, casual or shift workers with the cost of ECEC and flexible wrap-around care for families using standalone or government preschools (15 hours per week), to facilitate greater workforce participation.
6. Commitment of sufficient ongoing funding for the National Partnership on Universal Access to Early Childhood Education beyond the 2021 calendar year to increase participation in early childhood education by three and four year olds, in particular vulnerable children.

References

- Australian Bureau of Statistics. (2020). *Labour Force Australia, August 2020*.
<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/aug-2020>
- Australian Government. (2020). *Women's Economic Security Statement*.
<https://www.pmc.gov.au/sites/default/files/images/wess/wess-2020-report.pdf>
- Baxter, J., Bray, J.R., Carroll, M., Hand, K., Gray, M., Katz, I., Budinski, M., Rogers, C., Smart, J., Skattebol J., & Blaxland, M. (2019). *Child Care Package Evaluation: Early monitoring report*. (Research Report). Australian Institute of Family Studies.
<https://aifs.gov.au/publications/child-care-package-evaluation-early-monitoring-report>
- Commonwealth of Australia. (2020). *Budget Paper No.2: Part 2: Payment Measures*.
https://budget.gov.au/2020-21/content/bp2/download/bp2_complete.pdf
- Early Childhood Australia. (2020). *Federal Budget 2020-21 Summary Analysis*.
http://www.earlychildhoodaustralia.org.au/wp-content/uploads/2020/10/2020-21-ECA_Budget_Analysis_Final.pdf
- Equality Rights Alliance. (2020). *ERA Position Statement: Reimagining child care*.
<http://www.equalityrightsalliance.org.au/covid-19/era-position-statement-reimagining-child-care/>
- Hunter, F. (2020, June 12). They are thriving: Free child care boosted access for disadvantaged and Indigenous children, *Sydney Morning Herald*. <https://www.smh.com.au/politics/federal/they-are-thriving-free-childcare-boosted-access-for-disadvantaged-and-indigenous-kids-20200611-p551ne.html>
- Nous Group. (2020). *UANP Review: Final Review Report*. Report prepared for the Council of Australian Governments' Education Council.
<http://www.educationcouncil.edu.au/site/DefaultSite/filesystem/documents/Reports%20and%20publications/UANP%20Review%20Report.pdf>
- The Front Project (2019). *A smart investment for a smarter Australia: An economic analysis of universal access early childhood education in the year before school in Australia*.
<https://www.thefrontproject.org.au/images/downloads/ECO%20ANALYSIS%20Full%20Report.pdf>
- Wood, D., Griffiths, K., and Emslie, O. (2020). *Cheaper childcare: A practical plan to boost female workforce participation*. The Grattan Institute.
<https://grattan.edu.au/wp-content/uploads/2020/08/Cheaper-Childcare-Grattan-Institute-Report.pdf>
- Workplace Gender Equality Agency. (2020). 'All Industries'. *WGEA Data Explorer: Industries*.
<https://data.wgea.gov.au/industries/1>.