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Submission to the Senate Select Committee on the Australian Government's Response to the COVID-19 Pandemic

From: The Australian Work + Family Policy Roundtable

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The Work and Family Policy Roundtable (W+FPR) is pleased to make a brief submission to the current Senate Select Committee on the Australian Government's Response to the COVID-19 Pandemic.

The W+FPR is a network of 35 academics from 17 universities and research institutions with expertise on work, care and family policy. Its goal is to propose, comment upon, collect and disseminate research to inform good evidence-based public policy in Australia. Our membership and the policy principles that inform our work are set out in Appendix 1 to this submission.

The W+FPR held its first meeting in 2005. Since then the W+FPR has actively participated in public debate about work, care and family policy in Australia providing research-based submissions to relevant public inquiries, disseminating current research through publications for public commentary and through the media. We have also produced five sets of Federal Election Benchmarks. In each set of these Benchmarks we have called on the incoming Federal government to advance policies that enhance households' ability to combine work and care responsibilities. In our [2019 Federal Election Benchmarks](#) we identified eight priority policy areas: investment in care infrastructure; paid leave to care; decent working time and job security; sustainable high-quality care services; good quality jobs for the care workforce; gender pay equality; safe workplaces; and institutional support for work and care. **Each of these policy goals inform the required policy settings for a gender equal COVID-19 response.** In this submission we focus on Early Childhood Education and Care, a fundamental plank of an inclusive and gender-equal recovery.

This submission was drafted by Elizabeth Hill (Associate Professor, University of Sydney) and Deborah Brennan (Professor Emerita, UNSW) in consultation with W+FPR members and other experts in early childhood education and care policy and service delivery.

Objective: the purpose of this submission is to identify principles and objectives to guide Early Childhood Education and Care (ECEC) funding and policy arrangements as Australia prepares to recover from the COVID-19 pandemic.

ECEC underpins two vital national goals:

- Promoting the education, well-being and life-chances of children and
- Enabling parents to participate in the labour force

Each of these compelling priorities needs to be acknowledged and addressed in Australia's ECEC arrangements for the recovery period. The design of the pre-COVID ECEC system included a number of problems that limited the ability of the system to meet these two goals. In the current context of economic crisis and high unemployment, it is critical that the ECEC system be redesigned to meet the challenges of the long recovery period, and to support both child wellbeing and parental participation over the longer term.

ECEC Funding During the Pandemic

As the impact of the Coronavirus grew in Australia, ECEC services faced a collapse in attendance and enrolments.¹ On 2 April 2020, the Australian Government announced the Early Childhood Education and Care Relief Package designed 'To make sure that every provider remains viable through the pandemic'.² The key element of the package was business continuity payments made directly to ECEC care services in lieu of the Child Care Subsidy and Additional Child Care Subsidy. Services were not permitted to charge fees to families while these payments were being received. Effectively, ECEC became free for families who accessed these services.

The emergency arrangements were designed to complement the JobKeeper Payment, a wage subsidy of \$1500 per fortnight enabling some employers to continue paying their employees. However, many educators are not eligible due to the nature or duration of their employment, the type of employer for whom they worked,³ or because they are overseas-born workers holding temporary visas.

The government's objective in making business continuity payments was 'to support services to remain open to ensure quality early childhood education and care continues to be available to support essential workers and disadvantaged and vulnerable children and families'.

While the Relief Package enabled some services to continue to operate, it left a number of issues unaddressed, including additional demand for ECEC generated by the withdrawal of

¹ Early Childhood Australia (2020). Review of the Early Childhood Education and Care Relief Package.

² Tehan, D. (2020). *Media Transcript*. 15 April. ABC Radio Darwin Drive.

³ Services directly provided by the Australian government, state and territory governments, foreign governments and local governments were ineligible for the JobKeeper payment.

grandparent care as health advice for older Australians recommended strict isolation. This is an important issue for the recovery period as grandparent care is the most common form of childcare in Australia.⁴ Until a vaccine for COVID-19 is widely available we can expect many grandparents may reduce their pre-COVID childcare arrangements, increasing the need for capacity in the ECEC system.

Problems with ECEC Policy and Funding Prior to COVID-19

A new child care subsidy system came into effect in July 2018, replacing the Child Care Benefit (CCB) and Child Care Rebate (CCR) with a new Child Care Subsidy (CCS) which is both means-tested and activity tested. Under these new arrangements, the Commonwealth sets an hourly cap rate for each major service type and families are eligible for a percentage of this rate, depending on their income and the type of service they use.⁵ If services charge fees above the cap, families must pay the gap.⁶ Early monitoring indicated this system works reasonably well for low- and middle-income families who have secure, regular employment, some of whom experienced small increases in affordability compared with previous arrangements.⁷ Families without jobs including those seeking employment and those with insecure or sporadic employment are less well served.

The system includes a three-tiered activity test which links the hours of subsidy that parents can claim to the hours spent in employment, study or other approved activities. The stringent nature of the activity test penalises children and parents who are not in the workforce or work only occasionally. These are the very children who stand to gain the most from quality ECEC.⁸ In addition, the activity test provides only limited subsidised care to those parents looking for work or seeking to make the transition from providing stay-at-home care to employment. This is likely to disproportionately affect women, limiting Australia's capacity to reducing the gender gap in employment participation by 25 percent by 2025.⁹

Safety net measures designed to assist children in disadvantaged circumstances require families to negotiate complex bureaucratic hurdles. The activity test and difficulties accessing safety net measures leaves Aboriginal and Torres Strait Islander children and their families struggling to access subsidised ECEC services. Such a measure impedes capacity to reach

⁴ In 2017, 864,500 children in Australia were cared for by their grandparents in a typical week, far outstripping other forms of childcare like long day care or before and after school care (ABS, 2018; Hamilton and Jenkins, 2020).

⁵ Families on \$66,958 or less are eligible for 85% of the cap rate; the percentage tapers down as family income rises and cuts out at \$351,248.

⁶ The new system removed the subsidy cap for families on less than \$186,958 and lifted it to \$10,000 per year per child for families who earn more than this.

⁷ 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). Melbourne: Australian Institute of Family Studies.

⁸ Pascoe, S. and Brennan, D. (2017). Lifting our Game: Report of the Review to Achieve Educational Excellence in Australian Schools Through Early Childhood Interventions.

⁹ Department of Prime Minister and Cabinet (2017). *Towards 2025: An Australian Government strategy to boost women's workforce participation.*

Australia's Closing the Gap target of ensuring 95% of Aboriginal and Torres Strait Islander four year olds are enrolled in ECEC programs by 2025.

The design of the pre-COVID system will not meet the ECEC needs of an economy or households facing high levels of unemployment or precarious employment – and reduced access to informal care provided by grandparents – for some time to come. Nor does it address the ongoing issues confronted by the ECEC workforce. Decent wages for educators are vital for the development and sustainability of a high quality ECEC sector. The low wages endemic to the sector must rise to attract and retain a skilled workforce.

As social and economic restrictions are now being lifted **Australia's ECEC system will need to be recalibrated to support employment – especially women's employment – productivity and economic recovery.**

Post-COVID 19 Policy Settings

Australia's post-COVID recovery strategy must include a commitment to affordable and accessible, high quality early childhood education and care. **ECEC provides essential social and economic infrastructure in normal times and will be even more vital over the long COVID-recovery period.**

- Some features of the crisis ECEC arrangements must be retained in the short to medium term to support ECEC centres manage fluctuations in the demand for childcare, and households as they negotiate an uncertain employment landscape.
- The cost of ECEC to families must remain very low or free during the recovery period and beyond.
- The activity test is inequitable and reduces vulnerable children's access to ECEC. It is particularly poorly suited to a high unemployment economy and must be abolished.

The crisis ECEC package and extension of applications for exceptional circumstances is providing support to sustain the sector at the moment but is not an appropriate or sustainable system for the future. A new, simple funding model will be essential to deliver a sustainable ECEC sector accessible to all children during the long recovery period.

A return to the pre-COVID system and high out-of-pocket costs for many families would undermine government efforts to boost employment. Reduced household economic security or unemployment would see parents unable to pay the 'gap' withdraw their children from ECEC. This would, in turn, limit their capacity to find new or more work, sparking a downward spiral in the work participation of people with young children. A recent survey by The Parenthood showed that if affordable ECEC is not available it will be mothers who will reduce their employment to undertake care.¹⁰ ECEC is essential to women's workforce participation. This was recognised by the Prime Minister at the height of the COVID crisis and the relief

¹⁰ The survey reported that 60% of Australian families will have a parent forced to reduce work when childcare fees return to pre-COVID settings. Sixty-eight per cent of respondent of women surveyed said they would be the partner who would reduce their hours of work or stop work altogether. See https://d3n8a8pro7vhmx.cloudfront.net/theparenthood/pages/20/attachments/original/1590987325/200601_-_Full_survey_data_case_against_snap_back_MR.pdf?1590987325

package for the sector is evidence that government recognises the critical economic role of ECEC.

A post-COVID ECEC system must put children, their wellbeing and development at the centre of the system. Accessible high quality ECEC is an important public good that has significant social and economic outcomes. In a time of economic crisis, school closures and unemployment, thousands of Australian children are at risk of poverty with long-term negative implications for social and economic inequality.¹¹ ECEC can help prevent the long-term implications of this disruption to children's learning and development outcomes and contain longer term inequalities. ECEC is a key policy intervention available to governments to ameliorate the inequalities exacerbated by the COVID economic shock.¹²

The economic and social cost of leaving these children behind is significant. The economic benefits of including them in the COVID recovery will pay strong dividends. **Post-COVID ECEC policy settings must make affordable ECEC available to all children. Abolishing the activity test is essential.**

We acknowledge that the current funding arrangements will not continue indefinitely – they were designed at short notice, without wide consultation, and were intended to support the sector in a time of crisis and rapid change. However, the conditions of the crisis recovery call for a more systematic review of public funding and funding models for ECEC. This is an opportunity to review and reconstruct public funding for ECEC to deliver long-term intergenerational participation and productivity benefits that will support the recovery and deliver prosperity into the future.

Post-COVID Reforms to ECEC should be guided by the following principles:

Support parental (especially maternal) participation in the workforce.

Supporting parents to work will boost national labour supply and productivity. This is especially important for women as they have been particularly hard hit by job losses during the COVID-19 pandemic. Many families are likely to face insecure and casual forms of employment during the recovery phase and access to quality, affordable ECEC will be vital to help them re-enter the workforce and/or increase hours.

Boost the delivery of quality services through improved job quality

The early years provide a window of opportunity to support children to develop the foundational skills and attributes needed for success in education, work and life. Quality ECEC requires a skilled and professional workforce that can deliver these benefits. It is crucial that

¹¹ See reports by The Smith Family, <https://www.ceda.com.au/Digital-hub/Blogs/CEDA-Blog/April-2020/Youth-poverty-in-COVID-19-Australia>, and UNICEF Australia, <https://www.sbs.com.au/news/australia-s-coronavirus-school-closures-are-hurting-children-in-poverty-unicef-warns>

¹² Melhuish, E. (2014). The impact of early childhood education and care on improved wellbeing. London, United Kingdom: British Academy; Conti, G. and Heckman, J. (2012). The Economics of Child Well-Being IZA Discussion Paper No. 6930.

the ECEC workforce be supported by professional pay and conditions, and through funding models that incentivise quality and quality improvement.

Provide comprehensive services that support all children

The pandemic has exacerbated the disadvantage experienced by many children pre-COVID and seen additional children plunged into new forms of economic insecurity. Affordable high quality ECEC services made available to all children, especially Aboriginal and Torres Strait Islander children, will radically reduce systemic disadvantage as a result of the pandemic and build a more equitable future for Australia's children.

The Work + Family Policy Roundtable recommends:

1. Continuation of fee-free access to ECEC while the JobKeeper payment is in place with additional funding to ensure services can meet demand.
2. Ensuring effective access to at least two days per week of free high quality ECEC to all children, regardless of their parents' workforce participation, ensuring user friendly access for disadvantaged groups and those in remote and regional Australia.
3. Redesign of funding arrangements and policy settings with a view to establishing a high quality ECEC system as a public good which promotes the education, well-being and life-chances of children as well as supporting parental workforce participation.
4. Development of a national ECEC workforce strategy to support the recruitment, retention, sustainability and enhanced professionalism of the workforce, thereby improving service quality and children's outcome.

We commend this submission to the Committee.



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Professor Emerita Deborah Brennan
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Professor Sara Charlesworth
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Appendix 1

Australian Work + Family Policy Roundtable Members

- Dr Elizabeth Adamson, UNSW
- Prof Siobhan Austen, Curtin University
- Prof Marian Baird, University of Sydney
- Prof Donna Baines, University of Sydney
- Dr Dina Bowman, Brotherhood of St Laurence / University of Melbourne
- Adjunct Dr Michelle Brady, University of Melbourne
- Dr Wendy Boyd, Southern Cross University
- Emeritus Prof Deborah Brennan, UNSW
- Emeritus Prof Bettina Cass, University of NSW
- Prof Sara Charlesworth, RMIT (co-convenor)
- A/Prof Kay Cook, RMIT University
- Dr Amanda Cooklin, La Trobe University
- Prof Rae Cooper, The University of Sydney
- Dr Natasha Cortis, UNSW
- Adjunct Prof Eva Cox, Jumbunna Indigenous House of Learning (UTS)
- Prof Lyn Craig, University of Melbourne
- A/Prof Marianne Fenech, University of Sydney
- Emeritus Prof Suzanne Franzway, University of South Australia
- Prof Beth Goldblatt, UTS
- A/Prof Myra Hamilton, University of Sydney
- Alexandra Heron, University of Sydney
- A/Prof Elizabeth Hill, University of Sydney (co-convenor)
- Dr Jacquie Hutchinson, University of Western Australia
- Adjunct A/Prof Debra King, Flinders University
- Dr Fiona Macdonald, RMIT
- Prof Paula McDonald, Queensland University of Technology
- A/Prof Jill Murray, La Trobe University
- Adjunct Prof Frances Press, Charles Sturt University
- Prof Alison Preston, University of Western Australia
- A/Prof Leah Ruppner, University of Melbourne
- A/Prof Belinda Smith, University of Sydney
- A/Prof Meg Smith, Western Sydney University
- Prof Miranda Stewart, University of Melbourne
- Prof Lyndall Strazdins, Australian National University
- Prof Gillian Whitehouse, University of Queensland

W+FPR Policy Principles

The aim of the Australian Work + Family Policy Roundtable is to propose, comment upon, collect and disseminate relevant policy research in order to inform good, evidence-based public policy in Australia.

The Roundtable believes work, care and family policy proposals should be guided by sound policy principles which:

- Recognise that good management of the work-life interface is a key characteristic of good labour law and social policy;
- Adopt a life-cycle approach to facilitating effective work-family interaction;
- Support both women and men to be paid workers and to share unpaid work and care;
- Protect the well-being of children, people with disabilities and frail older people who require care;
- Promote social justice and the fair distribution of social risk;
- Ensure gender equality, including pay equity;
- Treat individuals fairly, regardless of their household circumstances;
- Ensure sustainable workplaces and workers (e.g. through 'do-able', quality jobs and appropriate staffing levels);
- Ensure predictable hours, earnings and job security;
- Ensure flexible working rights are available in practice, not just in policy, to all workers through effective regulation, education and enforcement;
- Facilitate employee voice and influence over work arrangements;
- Recognise and support the ongoing need for income support where earnings capacities are limited by care responsibilities or other social contributions;
- Recognise the particular cultural and social needs of groups who have been excluded and discriminated against, such as Indigenous peoples and newly arrived migrants and refugees, who may require diverse responses to participate effectively; and
- Adopt policy and action based on rigorous, independent evidence.

Informed by these principles, the W+FPR will advance public debate and policy initiatives that promote a secure and living wage for workers; reasonable work hours and working time; appropriate and adequate leave provisions; quality care services; a fair tax and benefits regime and other measures that assist workers and carers to better combine these two spheres of essential human activity.