



Australian Council of Social Service

12 September 2014

Commissioners Craik and Coppel
Productivity Commission
Inquiry into Child Care and Early Childhood Learning

By email: childcare@pc.gov.au

Dear Commissioners,

Thank you for the opportunity to provide a supplementary submission in response to the Commission's Draft Report. Unfortunately, due to capacity constraints, we are not able to respond to all of the proposals contained in the draft report. Instead, this submission provides some general comments about proposed policy directions and more specific comments in relation to the Commission's activity test proposal which is of serious concern to ACOSS.

ACOSS welcomes a number of aspects of the draft report. Specifically, we support the Commission's proposals to:

- Replace the current dual payment system with a single payment, with higher levels of assistance for low and moderate income households (90% of costs covered for those under \$60,000) than those on higher incomes (the rate would taper to 30% of fees for those on high incomes). However, we strongly believe that the subsidy should not be subject to activity testing, as argued below); and
- Set assistance levels in line with a deemed 'reasonable' cost of care (which we support in principle, subject to seeing further detail about the proposed formula); and
- Supplements available for children with additional needs to, in some cases, meet the full deemed cost of care.

We also support the Commission's recommendation that the Government maintain its commitment to funding to ensure universal access to preschool for 15 hours a week for 40 weeks in the year before children start school.

We are, however, very concerned by proposals to restrict access to childcare to families in which at least one parent is engaged in job search, work, study or training. Under the current system, children in families in which neither parent is engaged in education, training or paid work are able to access 24 hours a week of subsidised child care through the Child Care Benefit, in recognition of the important impact of early years education in child development. Indeed, a report by Price Waterhouse Coopers which has been submitted to the Commission highlights the important social and economic benefits of investing in early childhood education and care for children in low-income families. It found that ensuring early learning was provided to children whose parents were in the lowest income brackets



would add a further \$10.2 billion to the economy due to the impact on child development and lifelong learning outcomes.

The Draft Report proposes that access to child care subsidies be limited to families in which at least one parent undertakes “at least 24 hours per fortnight of actively looking for work, undertaking work, study or training; or are in receipt of a disability support pension and unable to work; or in receipt of a carer’s payment and unable to work; or for children who have, as their primary carer, someone other than their parent(s).”¹ Those who would be excluded from accessing the subsidy under the Commission’s proposal would include parents on income support who are not subject to activity requirements, including those with young children on Parenting Payment (Single) who do not have job search requirements until their children turn six.

While the Commission proposes to exempt recipients of the Disability Support and Carers Pensions from the activity test, it estimates that up to 45 per cent of families earning under \$50,000 a year who currently access childcare payments will lose their assistance. This is despite the fact that early childhood education and care is likely to be particularly beneficial for children who are disadvantaged and/or vulnerable, many of who will be in families without paid work, most of whom are in sole parent families. As Goodstart notes in its submission to the Inquiry, “around half of non-working single parents use ECEC for a birth to two-year-old child increasing to almost 90 per cent for a three to four-year-old child. Access to ECEC provides important support for single parents who may not have access to family or other informal support networks; it also provides quality learning and development opportunities for children.” Single parents, already facing numerous financial and other challenges, would be adversely affected by the Commission’s proposal.

ACOSS strongly believes that all children should have access to quality early years education and care, regardless of parental work or education status and whether they are in single or couple households. I trust that the Commission will seek to ensure that the most vulnerable children in our community are not excluded from accessing quality education and care, including those in households without paid work.

Yours sincerely,

Dr Cassandra Goldie
Chief Executive Officer, ACOSS

¹ Draft Report at page 21.