



# **Australian Government**

## **GOVERNMENT RESPONSE TO THE REPORT BY THE INQUIRY INTO SENATE EDUCATION AND EMPLOYMENT REFERENCES COMMITTEE:**

*‘Immediate future of the childcare sector in Australia’*

**OCTOBER 2014**

## **Preamble**

The Australian Government welcomes the opportunity to respond to the report of the Senate Education and Employment References Committee, 'Immediate future of the childcare sector in Australia'.

On 12 December 2013, the Senate referred the inquiry into the immediate future of the childcare sector in Australia to the Committee for inquiry and report by 17 June 2014 (upon application the Senate granted an extension for the reports until 16 July 2014). The committee agreed that submissions should be received by 14 March 2014.

The inquiry's terms of reference focus on the immediate future of the childcare sector in Australia, with particular reference to:

- a) cost and availability for parents over the short term, including the effectiveness of the current government rebates
- b) administrative burden, including the impact of the introduction of the National Quality Framework
- c) the current regulatory environment and the impact on children, educators and service operators
- d) how the childcare sector can be strengthened in the short term to boost Australia's productivity and workplace participation for parents
- e) any related matters.

The Committee tabled its report in the Senate on 16 July 2014. The report contains three recommendations, with a further four recommendations from the Australian Greens (Senator Sarah Hanson-Young) and three recommendations from Senator Nick Xenophon.

The Government is committed to establishing a sustainable future for a more flexible, affordable and accessible child care and early childhood learning system that helps underpin the national economy and supports the community, especially parent's choices to participate in work or training and children's growth, welfare, learning and development.

As announced on 17 November 2013, the Government has established a Productivity Commission Inquiry into Childcare and Early Childhood Learning to report on and make recommendations about how the child care system can be made more flexible, affordable and accessible. The Inquiry is broad-ranging and will address the issues raised in the report's recommendations. The final report of the Inquiry is due to the Government by the end of October 2014. The Government will be responding to the Productivity Commission's Inquiry report after it is provided to the Government.

The Government thanks the Committee and the Senators for their recommendations.

## **Response:**

The Government notes that the committee's report and recommendations need to be considered in the context of the current Productivity Commission inquiry into future options for child care and early childhood learning, with a focus on developing a system that supports workforce participation and addresses children's learning and development needs. This inquiry is broad-ranging and the Commission's final report is due to be submitted to the Government by the end of October 2014. The Government will await that report before determining future child care and early childhood learning policies. The Government notes the committee's report and recommendations about this important area of public policy.

## RESPONSE TO RECOMMENDATIONS

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### PART 1 - RESPONSE TO RECOMMENDATIONS FROM THE COMMITTEE

#### Committee Recommendation 1

The committee recommends that the government rescind its proposed budget changes to ECEC funding, particularly in relation to CCB.

#### Government Response: Not agreed.

The Government is committed to ensuring its budget initiatives are fully considered by the Parliament and has presented the case for its proposed changes through the budget process.

The Child Care Benefit measure is one element of the Government's broader measure to maintain eligibility thresholds for Australian Government payments for three years. Over four years, the Government is investing around \$31 billion in child care and early learning, including \$28.5 billion in direct child care assistance to parents.

The Senate Education and Employment Legislation Committee recommended that the amending legislation for this measure be passed by Parliament as it is limited, well targeted, is for a finite period of time, and is a necessary part of the broader Government agenda of repairing the budget and strengthening the economy.

The Government has tasked the Productivity Commission to undertake a public inquiry into future options for child care and early childhood learning, with a focus on developing a system that supports workforce participation and addresses children's learning and development needs. This inquiry is broad-ranging and its final report is due to be submitted to Government by the end of October 2014. The terms of reference for this inquiry include consideration of rebates and subsidies for child care. The Government will await that report before determining future child care and early childhood learning policy.

#### Committee Recommendation 2

The committee recommends that the government act to immediately restore the JETCCFA to a maximum of 50 hours, and re-establish the WELL program.

#### Government Response: Not Agreed.

In the current tight fiscal environment all Government programmes must be managed carefully within their budget allocations to ensure that they are fair, sensible and sustainable. The Jobs, Education and Training Child Care Fee Assistance (JETCCFA) programme has exceeded its budget allocation in the last two years and has required additional funding.

From 5 January 2015, the Government is introducing two key changes to the JETCCFA programme to ensure it stays within its budget allocation:

- a maximum \$8 hourly cap for JETCCFA payments, after Child Care Benefit,
- a 36 hour weekly limit per child for JETCCFA payments to recipients undertaking study (compared to the average hours of care, which is around 24 hours per week).

This means that for most JETCCFA families there will be no impact unless they use a child care service that charges fees over \$13.10 per hour (e.g. \$4.10 Child Care Benefit, \$8 JETCCFA, \$0.50 Child Care Rebate and \$0.50 parent contribution).

JETCCFA recipients who are studying will not be impacted unless they use care for more than 36 hours per week. Those JETCCFA recipients undertaking work or combining work and study activities can still access JETCCFA payments for up to 50 hours of care per week.

The Government has also tasked the Productivity Commission to undertake a public inquiry into future options for child care and early childhood learning, with a focus on developing a system that supports workforce participation and addresses children's learning and development needs. This inquiry is broad-ranging, and its final report is due to be submitted to Government by the end of October 2014. The terms of reference for this inquiry include consideration of rebates and subsidies for child care. The Government will await the final report from this inquiry before determining future child care and early childhood learning policy.

### **Committee Recommendation 3**

The committee recommends that the government maintain the National Partnership agreements put in place by the previous Labor government to guarantee universal access for four year olds.

### **Government Response: Noted.**

The previous Government did not provide funding for universal access beyond 2014 in the Budget Forward Estimates.

The Government recently announced that it will invest a further \$406 million to provide funding to the states and territories in support of continued access to preschool programmes in 2015. States and territories will be required to make funds available to all preschool programmes, regardless of whether the programme is delivered through schools, standalone preschools or long day care centres.

The funding provides families and services with certainty for 2015 pending the outcome of the Productivity Commission's public inquiry into future options for child care and early childhood learning, with a focus on developing a system that supports workforce participation and addresses children's learning and development needs. This inquiry is broad-ranging, including consideration of children's early learning and development needs. The inquiry's final report is due to be submitted to Government by the end of October 2014. The Government will await that report before determining future child care and early childhood learning policy.

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## **PART 2 - RESPONSE TO RECOMMENDATIONS FROM THE AUSTRALIAN GREENS (SENATOR HANSON-YOUNG)**

### **Senator Hanson-Young Recommendation 1**

The Australian Greens recommend that the National Quality Framework be supported and its implementation continue as planned.

#### **Government Response: Noted.**

The previous Government and all states and territories established the National Partnership Agreement (NPA) on the National Quality Framework (NQF) for Early Childhood Education and Care. The NQF commenced progressive implementation from 1 January 2012.

The Government supports the NQF and the goal of higher quality child care and early learning, but is concerned that its implementation is causing unnecessary regulatory burden, which is passed on as cost increases for families.

Under the NPA, a review must be conducted in 2014 (2014 Review) to assess the extent to which the objectives and outcomes of the NPA have been achieved. The 2014 Review is now underway and its findings will be considered by the COAG Education Council.

The scope of the review includes consideration of the NQS and the assessment and rating system.

Pending the outcome of the 2014 Review, the Government is working with the states and territories to improve aspects of the NQF implementation and reduce regulatory burden. For example, from June 2014 the process for providing supervisor certificates was streamlined and flexibilities introduced to address workforce shortages, particularly in remote and very remote areas.

The Government has also tasked the Productivity Commission to undertake a public inquiry into future options for child care and early childhood learning, with a focus on developing a system that supports workforce participation and addresses children's learning and development needs. This inquiry is broad-ranging, including consideration of the impact of the implementation of the NQF. The inquiry's final report is due to be submitted to Government by the end of October 2014. The Government will await that report before determining future child care and early childhood learning policy.

### **Senator Hanson-Young Recommendation 2**

The Australian Greens recommend that the existing Child Care Rebate and Child Care Benefit be streamlined into one central payment, which is paid directly to centres to reduce the out-of-pocket costs to families.

#### **Government Response: Noted.**

The Government has tasked the Productivity Commission to undertake a public inquiry into future options for child care and early childhood learning, with a focus on developing a system that supports workforce participation and addresses children's learning and development needs. This inquiry is broad-ranging, including consideration of the rebates and subsidies available to parents using child care. The inquiry's final report is due to be submitted to Government by the end of October 2014. The Government will await that report before determining future child care and early childhood learning policy.

**Senator Hanson-Young Recommendation 3**

The Australian Greens recommend that the government urgently address the current wages crisis in the sector by providing appropriate funding through mechanisms other than Enterprise Agreements in order not to disadvantage smaller providers.

**Government Response: Not Agreed.**

The Government does not operate child care and early learning services or employ early childhood educators or regulate educators' wages. Minimum wages are provided for through modern awards which are reviewed and adjusted by the independent workplace umpire, the Fair Work Commission (FWC). Under the Fair Work Act employers and employees and their representatives can negotiate an Enterprise Agreement.

The FWC is currently considering two equal remuneration applications for early childhood educators. It is appropriate that these applications should proceed through that process.

**Senator Hanson-Young Recommendation 4**

The Australian Greens recommend that the government reaffirm its funding commitment to guarantee universal access for all four year olds.

**Government Response: Noted.**

The previous Government did not provide funding for universal access beyond 2014 in the Budget Forward Estimates. The Government recently announced that it will invest a further \$406 million to provide funding to the states and territories in support of continued access to preschool programmes in 2015. States and territories will be required to make funds available to all preschool programmes, regardless of whether the programme is delivered through schools, standalone preschools or long day care centres.

The funding provides families and services with certainty for 2015 pending the outcome of the Productivity Commission's public inquiry into future options for child care and early childhood learning, with a focus on developing a system that supports workforce participation and addresses children's learning and development needs. This inquiry is broad-ranging, including consideration of children's early learning and development needs. The inquiry's final report is due to be submitted to Government by the end of October 2014. The Government will await that report before determining future child care and early childhood learning policy.

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## **PART 3 - RECOMMENDATIONS FROM SENATOR XENOPHON**

### **Senator Xenophon Recommendation 1**

That a separate rating is provided for each of the seven NQS areas assessed by ACECQA.

#### **Government Response: Noted.**

Under the NQF, services already receive a rating for each of the seven NQS areas. It is the responsibility of Regulatory Authorities in each state and territory to assess and rate services. ACECQA's role is to provide oversight and report on the implementation of the NQF including assessment and rating against the National Quality Standard (NQS).

Under the NPA, a review must be conducted in 2014 (2014 Review) to assess the extent to which the objectives and outcomes of the NPA have been achieved. The 2014 Review is now underway and its findings will be considered by the COAG Education Council.

The scope of the review includes consideration of the NQS and the assessment rating system. The Government is committed to quality under the NQF, but is concerned by reports from parents and services that implementation is causing administrative and staffing problems, which are passed on as cost increases for families.

Pending the outcome of the 2014 Review, the Government is working with the states and territories to improve aspects of the NQF implementation and reduce regulatory burden. In April 2014 the COAG Education Council agreed to streamline the assessment and rating process.

The Government has also tasked the Productivity Commission to undertake a public inquiry into future options for child care and early childhood learning, with a focus on developing a system that supports workforce participation and addresses children's learning and development needs. This inquiry is broad-ranging, including consideration of the impact of the implementation of the NQF. The inquiry's final report is due to be submitted to Government by the end of October 2014. The Government will await that report before determining future child care and early childhood learning policy.

### **Senator Xenophon Recommendation 2**

The Government consider allocating more resources to ACECQA in order to expedite the ECEC provider assessment process.

#### **Government Response: Noted.**

Regulatory Authorities in each state and territory are responsible for the assessment and rating of services.

### **Senator Xenophon Recommendation 3**

The Government consider and provide a prompt response to NICA's proposal for greater in-home care in Australia.

#### **Government Response: Noted.**

The Government has tasked the Productivity Commission to undertake a public inquiry into future options for child care and early childhood learning, with a focus on developing a system that supports workforce participation and addresses children's learning and development needs. This inquiry is broad-ranging and is considering the types of child care available, including but not limited to: long day care, family day care, in home care including nannies and au pairs, mobile care, occasional care and outside school hours care. The inquiry's final report is due to be submitted to Government by the end of October 2014. The Government will await that report before determining future child care and early childhood learning policy.