

Childcare and Early Childhood Learning Productivity Commission Draft Report

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Presiding Commissioner

Centre for Community Child Health
Early Years Seminar Series: Research to Policy to Practice
25 July 2014

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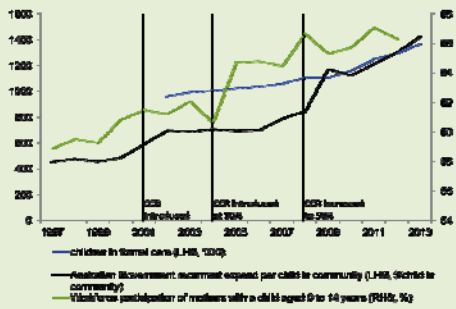
What's wrong with the existing ECEC system

- Declining proportion of assistance to lower income families – who are least able to afford ECEC services – as spending on CCR outstrips CCB
- JETCCFA, SCCB & CSP poorly targeted – funding families and services well outside intended purpose
- Complex for families
- 22% of children starting school are considered to be developmentally vulnerable and are concentrated in disadvantaged communities
- Some parents want to work but are unable to find affordable and accessible ECEC

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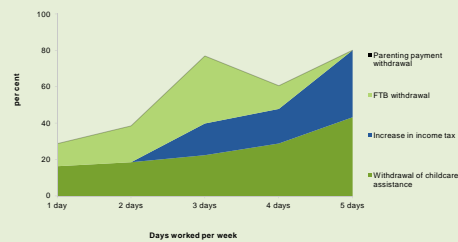
The ECEC sector is growing



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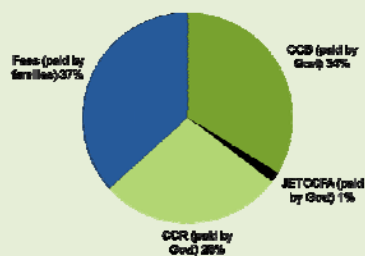
A strong disincentive to work and to work more than 2 days a week



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Who pays in Australia's ECEC system



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Child development research

Family characteristics strongest predictor

Positive outcomes for 1 year of preschool (socialisation, development, transition to school)

- Benefits greatest for disadvantaged children

Research outcomes are mixed for younger children:

- Quality ECEC – greater benefits for disadvantaged children
- Potential negative effects – depending on how young & for how long
- Hard to relate specific factors to outcomes, benefits fade over time
- Warm nurturing relationship critical

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A new approach – 3 main funding streams

1. Mainstream
 - Early Care & Learning Subsidy (ECLS)
 - Viability Assistance Program
2. Additional needs
 - Special Early Care & Learning Subsidy (SECLS)
 - Disadvantaged Communities Program
 - Inclusion Support Program
3. Preschool

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A more sustainable payment

ECLS based on the 'deemed' cost

- Works as hourly cap on subsidy
 - Avoids CCR effect on work decisions
- Varies by service type and age of the child
 - Data suggest rent, staff costs similar by ARIA
- Based on cost/fees of reasonable standard
 - Avoids subsidising premium services
- Initially a cost model, indexed to ECEC wage
 - Move to benchmark market price model

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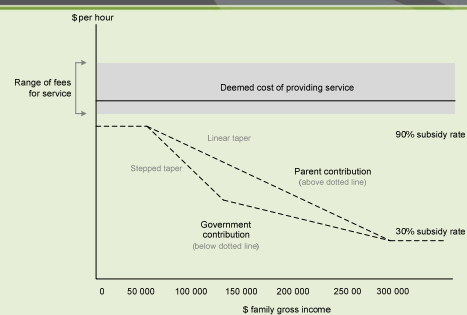
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ECLS – one simplified mainstream means-tested payment



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Mainstream funding - ECLS

- A single child-based subsidy
- Centre-based & home-based (including approved nannies) services
- Up to 100 hours per fortnight
- Activity test of 24 hours per fortnight (with exemptions)
- Paid directly to providers – parents choice
- Family income
- No dollar cap on total amount of assistance
- Based on 'deemed' cost

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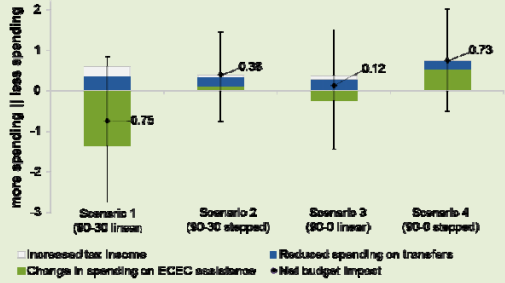
A range of taper rates & minimum assistance rates were considered

	Family income at which assistance starts to taper	Family income at which taper reaches minimum	Family income at which assistance reaches minimum	Maximum rate of assistance	Minimum rate of assistance	Total annual cost of ECLS 2013-14
	\$	\$	\$	%	%	\$b
Current (2013-14)	41 900	97 600	unlimited	> 90	50	5.7
Scenario 1 90-30 linear	60 000		300 000	90	30	6.9
Scenario 2 90-30 two-step	60 000	130 000	300 000	90	30	5.5
Scenario 3 90-0 linear	60 000		300 000	90	0	5.8
Scenario 4 90-0 two-step	60 000	130 000	300 000	90	0	5.1

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Change in net cost to Government of ECLS

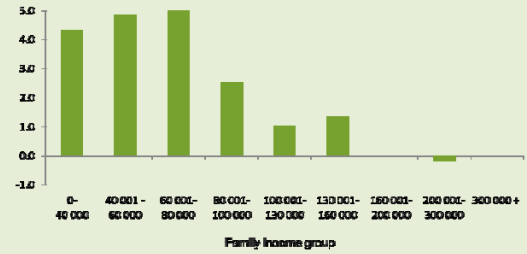


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Promoting workforce participation

Change in participation rate of mothers

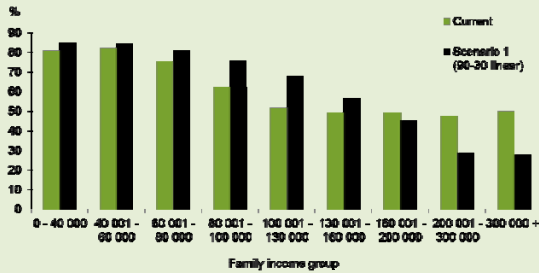


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A more affordable system for parents

Average rates of assistance



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Rural, regional & remote Australia

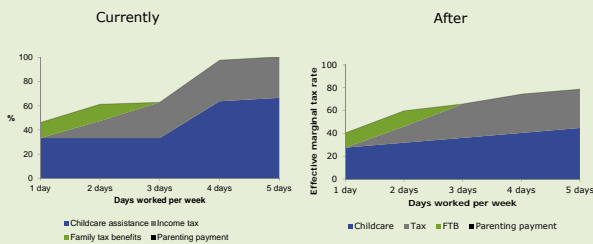
A capped Viability Assistance Program

- Support providers (operating under child-based funding) when demand temporarily fall below financially viable levels
- Maximum of 3 in every 7 years
- Prioritised to centre-based care & mobile services

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But higher incomes can benefit: EMTRs



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Additional needs children

Special Early Care and Learning Subsidy (SECLS)

- ECLS means-tested child-based payment of the deemed cost of mainstream services
- Plus **'top-up' child-based payment** for the **deemed cost** of delivering services to specific groups of children **based on their needs** (children assessed as at risk or with a diagnosed disability)
- 'top-up' should cover **100 hours/fortnight and up to 100% of deemed cost** of additional ECEC services

Inclusion Support Program (ISP) once-off grant to providers to build capacity for additional need children

100% of deemed cost for **'at risk' children**

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Additional needs children: Disadvantaged communities

Block funding for Disadvantage Communities Program

- Short-term grant to transition to mainstream child-based funding where possible
- Start-up and sustainability payments where no viable labour market

Support development of more **integrated ECEC & childhood services** especially in disadvantaged communities

- Payment to service for integration function

Preschool funding

- **Continue \$per child support for universal access**
- Negotiate with state & territories to **incorporate preschool into the funding for schools**
- Regulate dedicated preschool under the relevant education legislation rather than the NQF
- Provide universal access payments directly to LDC centres – where LDCs do not receive such funding from the states & territories

Summary of funding for children with additional needs

Funding program	'at risk' children	Children with a disability	Highly disadvantaged communities	Indigenous children	Other additional needs
ECLS	x	✓	✓	✓	✓
SECLS	✓ Covers full deemed cost	✓ Top-up only	x	✓ Top-up only	x
DCP – transitional	x	x	✓	✓	x
DCP – start-up & sustainability	x	x	✓	✓	x
DCP – integration	x	x	✓	✓	x
ISP	✓	✓	✓	✓	✓

More flexible and accessible ECEC

- ✓ Extended assistance to **approved nannies that satisfy the NQF**
- ✓ Allow au pairs to work for 12 months with one family (rather than 6 months only)
- ✓ **Abolish** operation requirements that specify **min or max operation weeks or hours** for approved services
- ✓ Remove caps on occasional care
- ✓ Promote existing FBT exemption for businesses to buy reserve places for children of their employees

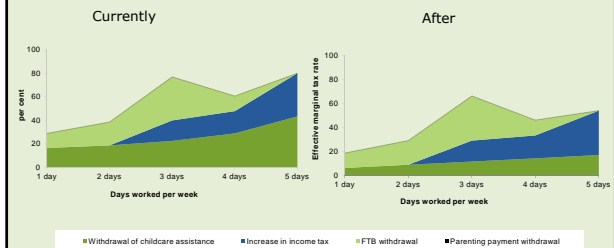
More flexible and accessible ECEC cont.

- ✓ Improve access to OSHC
 - Schools to take responsibility for organising OSHC when sufficient demand
 - Extend OSHC to preschool
- ✓ Tailor NQF staff requirements
 - Requirement for **early childhood teacher based on number of children over 3 years old** in a service
 - **Nationally consistent staff ratio for OSHC**

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Case study: couple family 2 children EMTRs



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Indicative annual expenditure on ECEC

Program area	2013-14 (\$ billion)	2014-15 to 2017-18 Budgeted average \$billion/year	Proposed Average \$billion/year
Mainstream use of ECEC services	5.7	7.1	6.9
Additional needs	0.6	0.5	0.7
Preschool access assistance	0.4	0.1	0.4
Total	6.7	7.7	8.0

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Family case studies cont.

Couple family both parents working full time, with 2 children under 5 years old and 1 child at school

- Combined gross family income of \$286,800
- Both children under 5 years old attend LDC 5 days per week at a cost of \$110 a day per child (and, hit the CCR cap).
- The school aged child attend OSHC 5 days per week at a cost of \$18 a day
- Total out-of-pocket cost of childcare is currently \$856.54 per week
- Under ECLS the family will be **slightly worse off by around \$17 per week**
- Under ECLS the out-of-pocket cost of hiring an approved nanny (\$30 per hour for 55 hours a week) would be \$1390 per week

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Family case studies – changes in out-of-pocket costs for families

Single low income mother working 3 days a week, with 2 children under 5 years old

- gross salary of \$37 440 and receiving CCB, CCR and FTB part A
- both children attend LDC for 3 day per week at a cost of \$88 a day per child
- total out-of-pocket cost of childcare is currently \$112.66 per week
- under ECLS the family will be **better off by \$53 per week**

Couple family with father working full time and mother 2 days a week, with 2 children aged 3 and 6 years old:

- combined gross income of \$94,600
- the youngest child attends LDC 2 days a week at a cost of \$82 per day. the school aged child attends OSHC for 2 afternoons a week at a cost of \$15 a day.
- total out-of-pocket cost of childcare is currently \$58.62 per week
- under ECLS the family will be **better off by just under \$32 per week**

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Childcare and Early Childhood Learning

- Draft report released Tuesday 22 July
- Public hearings - Perth, Port Macquarie, Sydney, Melbourne and Canberra: August
- Modelling roundtable: August
- Final submissions close: 5th September
- Final report to Government: 31st October

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