

Pre-Budget Submission 2022-23

G8 Education Ltd

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Overview

The COVID-19 pandemic highlighted just how critical Australia's early childhood education and care sector is in supporting the economy and enabling parents to participate in the workforce and contribute to economic recovery and growth.

However, for many Australians the combination of tax, welfare settings, and childcare affordability continue to work as a disincentive to active workforce participation. Under the current Child Care Subsidy ("CCS") system many families simply feel they are better off financially with one parent – disproportionately the mother – staying at home. Having so many parents, and so many women, forced out of the workforce has a major and enduring impact on the national economy.

Quality early childhood education and care leads to better futures for Australia's children, and is as critical to a child's development as the rest of their schooling. Evidence shows that children who receive high-quality early education are more likely to thrive throughout later schooling, enjoy healthier development, have greater employment opportunities, earn higher wages as adults, and raise happier families themselves.¹ Overall, this means better outcomes for the Australian community and its future economic prosperity.

However, many Australian children today are unfortunately not afforded access to the best possible early education experience. The primary reason for this outcome has been, and continues to be, affordability challenges for parents. In addition, workforce shortages and high staff turnover negatively impact on the sector. Early childhood educators are paid significantly less than their peers in other service sectors, and difficulties in attracting and retaining skilled professionals ultimately impacts the quality of education the sector can provide.

Additional Federal Government support to the sector is required to help overcome these issues. Support includes measures that will support:

- Improved affordability of early childhood education and care for all parents, and create incentives for women, in particular, to return to work;
- Access to quality early education for all children, including those with complex needs or in vulnerable circumstances, whose specific requirements are often overlooked; and
- The conditions for the sector to attract and retain the highest quality of early childhood education and care professionals.

G8 Education asks that the Government give serious consideration to providing this additional support to Australia's early childhood education and care sector. Doing so will grant all parents the opportunity to fully participate in the national workforce, will support our national economic recovery, and will give all Australian children, regardless of their families' income status, geographic location or educational needs the best possible start in life.

¹ <https://cpd.org.au/wp-content/uploads/2021/11/CPD-Starting-Better-Report.pdf>

Summary of Recommendations

1. **Childcare Affordability – barriers to workforce participation**

We call on the Australian Government to:

- Increase the Child Care Subsidy (CCS) by 10 per cent at each income threshold for all families with children in childcare (irrespective of the number of children in care), bringing the maximum subsidy rate to 95% for low-income families and the minimum rate to 30%.
- Increase the maximum subsidised childcare or learning from 12 to 18 hours, and change eligibility requirements so that all parents are able to access subsidised hours, regardless of their circumstances.
- Increase the base hourly cap for In Home Care to \$45.60 coupled with a scaled hourly cap to ensure families working non-standard hours are able to access affordable care when they need it and provide equal access to early education and care for children with complex needs without financial penalty to their families.
- Exempt employer contributions to childcare costs from Fringe Benefits Tax, and ensure the Child Care Subsidy for each child is retained where childcare costs are covered by employer contributions.

2. **Insufficient Care Options for Children with Complex Needs**

We call on the Australian Government to:

- Improve access to funding for families with children with complex needs or in vulnerable circumstances by:
 - Reducing red tape and providing easier access to funding for children with disabilities or complex needs; and
 - Clarifying the assessment process in relation to inclusion support programs, including who needs to perform the assessment and the steps involved in the process.
- Increase Government funding to support a 15% hourly wage rate increase for specialist educators engaged under inclusion support programs.
- Remove the current 5-hour cap on daily funding to enable specialist educators to provide support for children throughout the whole day.

3. **Workforce Shortages**

We call on the Australian Government to:

- Increase Government funding to support an increase in award rates paid to all early childhood educators by 10%.
- Adjust current visa requirements and processes to enable the sector to attract educators from overseas, irrespective of which service type in which they work.



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- Change the terminology used by Government to “early childhood educators” in lieu of “childcare workers”, to raise the status of the profession and help attract more individuals to choose early education as a career.
- Provide greater access to fully funded tertiary courses in early childhood education and care across the country, particularly in regional and remote locations.

Childcare Affordability – barriers to workforce participation

The Issues

Childcare affordability is a key factor in parents’ ability to participate in the workforce in Australia. A 2020 KPMG report examining options to increase the childcare subsidy found that parents of young children seeking to participate in the workforce find themselves faced with insufficient financial rewards from taking on extra work, once childcare costs are deducted. This occurs across all family income levels, and it is the workforce participation of women that suffers most when childcare is unaffordable.² Australian Bureau of Statistics data supports this finding, identifying in 2018-19 that 85% of women in Australia who wanted a job or to work more hours but were not, cited “caring for children” as the primary reason preventing them.³

To improve childcare affordability KPMG recommended transitioning to near majority-subsidised childcare for all children under the age of five, citing both societal and economic benefits. Last year the Grattan Institute, in their 2021-22 pre-budget submission, argued that measures to improve childcare affordability represent the single largest policy lever the Federal Government has to support women’s long-term workforce participation, and that boosting women’s workforce participation would create one of the biggest economic growth opportunities for Australia, particularly in the wake of the COVID-19 pandemic.⁴ Further, research conducted by the Grattan Institute found that an increase in women’s full-time workplace participation by as little as 2% would boost GDP by around \$11 billion.⁵

G8 Education strongly welcomed the Federal Government’s decision to increase the CCS as part of the FY2021-22 budget. We were additionally heartened to learn that the CCS increase will take place from 7 March this year, four months earlier than expected. The decision to increase the CCS level by 30% - to a maximum of 90% - for families with more than one child accessing early education and care is an encouraging step in the right direction, and will support efforts to make early learning and childcare services more affordable for more Australian families.

² <https://assets.kpmg/content/dam/kpmg/au/pdf/2020/kpmg-child-care-subsidy-report.pdf>

³ <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/barriers-and-incentives-labour-force-participation-australia/latest-release>

⁴ <https://grattan.edu.au/wp-content/uploads/2021/02/Grattan-Institute-2021-22-pre-budget-submission.pdf>

⁵ <https://grattan.edu.au/wp-content/uploads/2020/08/Cheaper-Childcare-Grattan-Institute-Report.pdf>



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However, while the recent increase to the CCS is an improvement, in truth it will only benefit a small number of families in Australia overall – up to 270,000. This compares with almost one million families currently accessing (or seeking to access) some form of childcare with only one child, or with children separated by various age gaps who do not require childcare at the same time, or those eligible for In Home Care, to whom the changes do not apply. We believe further measures should be taken to improve affordability of, and accessibility to, childcare in Australia for *all* families.

Additionally, there is currently minimal financial incentives to support employer contributions to early childhood education and care in Australia – a measure that we believe would significantly increase viability of employees seeking a return to the workforce.

Currently, employer contributions towards an employee's early education and care costs are subject to Fringe Benefits Tax (FBT). And further, where an employer or any other third party makes contributions to a child's early education and care costs, the CCS allocated to that individual child is deemed ineligible.

Between FBT liabilities and the loss of the CCS, the cost of employer contributions to early education and care far outweigh the benefits.

To address this issue and incentivise the return of parents to the workforce, Government should exempt early education and care contributions from Fringe Benefits Tax, and ensure the CCS remains payable to every eligible child, irrespective of who makes the contribution to the cost of early education and care.

Recommendations

- Increase the CCS by 10 per cent at each income threshold for all families with children in childcare (irrespective of the number of children in care), bringing the maximum subsidy rate to 95% for low-income families and the minimum rate to 30%.
- Increase the maximum subsidised early childhood education and care from 12 to 18 hours, and change eligibility requirements so that all parents are able to access subsidised hours, regardless of their circumstances.
- Increase the base hourly cap for In Home Care to \$45.60 coupled with a scaled hourly cap to ensure families working non-standard hours are able to access affordable care when they need it and provide equal access to early education and care for children with complex needs without financial penalty to their families.
- Exempt employer contributions to childcare costs from Fringe Benefits Tax, and ensure the Child Care Subsidy for each child is retained where childcare costs are covered by employer contributions.



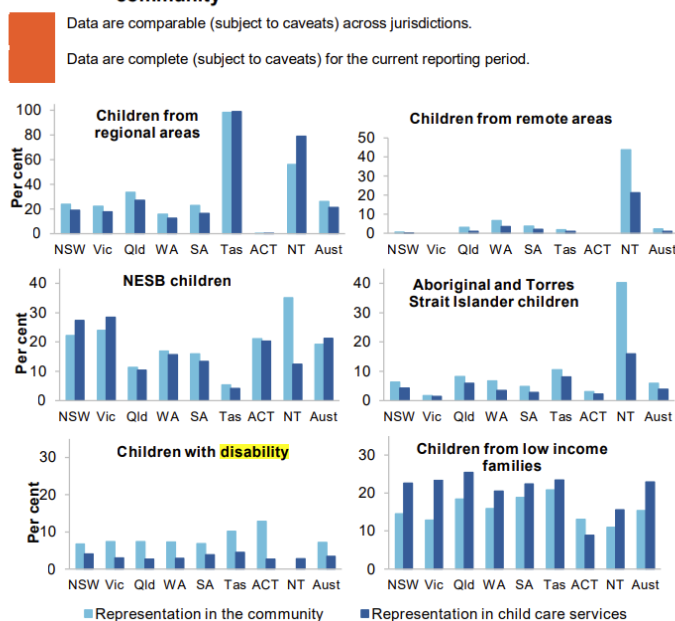
Insufficient Care Options for Children with Complex Needs

The Issues

Unfortunately, in Australia children with disabilities and complex needs are often an underserved group in need of high-quality early education and care. According to the Productivity Commission, children with a disability in Australia are not accessing preschool programs in the year before school at the same rate as their peers – see Figure 1.⁶

Figure 1

Figure 3.3 Proportion of children aged 0–12 years attending CCS approved child care services who are from special needs groups, compared with their representation in the community^{a, b, c, d}



This is despite general agreement around the importance of high-quality early education and care services to support the developmental outcomes of children with disability.

According to Early Childhood Australia, the inclusion of children with disability and complex needs in early learning and care services is very important on a number of counts, including children’s educational outcomes, their wellbeing, human rights and their families’ ability to participate in the workforce.⁷

A study from the US-based Urban Institute found that children with disabilities and complex needs reap substantial benefits from high-quality

care, but they require services and supports matched to their particular needs to realise the full developmental benefits that such settings can provide. This is particularly the case for low-income families, who face the cumulative burdens of poverty and material hardship in addition to the developmental and health challenges associated with a child’s disability.⁸

G8 Education supports the Federal Government’s Inclusion Support Programme (ISP) and its mission to build the capacity and capability of early learning services to fully include children with disability. We also welcomed the broadening of access to the ISP in 2020, which increased eligibility for children with particularly challenging behaviours (including those experiencing trauma). We further welcomed the recent decision taken at MYEFO to provide an additional \$73.9 million to extend the ISP to ensure that more children with additional needs receive the support they need.

While this funding injection is strongly welcomed, we remained concerned that funding for children with complex needs in early education settings remains unable to match the growth in demand. Additionally, the critical shortage of qualified disability support staff – due in large part to the significant competition

⁶ Section 3 Early Childhood Education and Care - Report on Government Services 2020 (pc.gov.au)

⁷ file:///C:/CT%20Group/CURRENT%20CLIENTS/G8/Budget%20Submission/Support%20docs/ECA-2021-22-Pre-Budget-submission.pdf

⁸ https://www.urban.org/sites/default/files/publication/99146/insights_on_access_to_quality_child_care_for_children_with_disabilities_and_special_needs_1.pdf



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for qualified staff across the disability, aged care and childcare sectors – in early childhood education and care remains an ongoing concern.

These obstacles, if not adequately addressed, will continue to limit the sector's capacity to offer high quality education and care for children with complex needs.

Recommendation

- Improve access to funding for families with children with complex needs by:
 - Clarifying what conditions or disabilities qualify for funding; and
 - Clarifying the disability assessment process, including who needs to perform the assessment and the steps involved in the process.
- Increase Government funding to support a 15% hourly wage rate increase for specialist educators.
 - Currently such educators have not had their award rates increased for a number of years. This means their wages are now below award rates for educators who have lower qualifications. As a result, it has been difficult to attract and hire them.
- Remove the current 5-hour cap on daily funding to enable specialist educators to provide support for children throughout the whole day.

Workforce Shortages

The Issues

The Early Childhood Education and Care sector faces a staffing crisis. There are compounding pressures on the sector including growing demand for places for children, alongside declines in the number of enrolments in educator and teacher qualifications. According to the latest Australian Government's National Skills Commission Skills Priority List, the sector, and specifically early childhood educators, has been flagged as an occupation currently in short supply nationally.⁹

Anticipated strong future demand post 2021 will only add to the shortage with the Government's own predictions indicating that an additional 39,600 early childhood educators will be needed by 2024.¹⁰ Recent modelling indicates one third of all preschools may lack a qualified teacher in the next four years if nothing changes.¹¹ At the same time, as observed in research conducted by superannuation fund HESTA, the sector is competing with other education and health sectors in a 'war for talent'.¹²

The pandemic has only served to exacerbate this crisis. Many early childhood educators left the sector as parents removed their children from childcare at the height of the pandemic lockdowns, and as casuals (the sector has a highly casualised workforce) were ineligible for JobKeeper. Even when the Federal Government introduced its temporary free childcare package, centres struggled to attract former staff back. Current COVID vaccine mandates are causing further staff shortages.

⁹ https://www.nationalskillscommission.gov.au/sites/default/files/2021-06/Skills%20Priority%20List%20List%20Occupation%20List_0.pdf

¹⁰ <https://joboutlook.gov.au/occupations/child-carers?occupationCode=4211>

¹¹ <https://theconversation.com/one-third-of-all-preschool-centres-could-be-without-a-trained-teacher-in-four-years-if-we-do-nothing-120099>

¹² <https://www.hesta.com.au/ECEReport21>



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According to Early Childhood Australia workforce shortages in the sector are nothing new. In a 2016 survey of 1,200 early childhood educators and degree-qualified teachers in childcare centres and preschools across Australia, one in five said they planned to leave their job within a year – reasons included low pay, feeling undervalued and increasing time spent on paperwork. High staff turnover — of up to 30% — is an enduring problem.¹³ For many early childhood educators, alternatives of better paid and less challenging sources of employment are available in other employment sectors, particularly in primary school settings and health.

G8 Education notes the decision by the Fair Work Commission last year to support pay rises of up to 13 per cent for teachers in early childhood education and care services, depending on qualification level.¹⁴ Better wages and conditions are crucial to attracting and retaining qualified staff in early learning settings.

However, we do not believe that this measure alone will solve the current and future challenges facing the sector. Further focus needs to be made on how Government can support the lifting pay and conditions across the sector in a manner that does not see overwhelming cost passed onto providers, and working families.

And noting the significant workforce gaps across the sector that currently exist – and the prospect of such gaps growing in the future – we believe measures that make it easier for providers to attract educators from overseas should be urgently enacted.

Recommendation

- Increase Government funding to support an increase in award rates paid to all early childhood educators by 10%.
- Adjust current visa requirements and processes to enable the sector to attract educators from overseas. For example, including early childhood educators on the Temporary Skill Shortage list will dramatically relieve workforce pressures on the sector.
- Attract individuals to the sector by raising the status of the profession so that it is seen as a long-term career of choice for the general population.
 - Change the terminology used by Government to “early childhood educators” in lieu of “childcare workers”, to raise the status of the profession and attract more individuals to choose early education as a career.
 - Provide greater access to fully funded tertiary courses in early childhood education and care across the country, particularly in regional and remote locations.

¹³ <http://thespoke.earlychildhoodaustralia.org.au/early-childhood-educators-are-leaving-in-droves-here-are-3-ways-to-ensure-australia-has-enough/>

¹⁴ <https://www.afr.com/work-and-careers/workplace/early-childhood-educators-pay-to-jump-by-up-to-13pc-next-year-20211012-p58z61>

About G8 Education

G8 Education welcomes the opportunity to provide input into the development of the 2021-22 Federal Budget.

From our humble beginnings as a family owned and operated company with 30 early learning centres in 2007, G8 Education has grown to become one of Australia's largest providers of early childhood education and care with 450 centres nationally.

We deliver quality early learning and care to more than 50,500 children in any given week and employ over 10,600 dedicated, passionate and supportive team members. We operate under 21 brands, and together we are committed to our shared purpose of creating the foundations for learning for life.

As we have grown we have maintained our commitment to quality. Each child we care for is recognised as a unique and special individual, and they are nurtured and inspired to be the very best they can be. We have extended this approach with the creation of a new specialist care division, with in-home care and NDIS provider Leor joining the G8 Education network.

We draw on our scale to invest in and deliver exceptional value for our families. Families can trust that each G8 Education centre is focused on providing quality early learning and care, and highly engaging experiences for our families. For our team members, our scale means we can provide a market-leading employment offer, which helps us attract and retain engaged and capable people to deliver an exceptional experience for our families.

As we continue to evolve, we remain focused on our purpose - creating the foundations for learning for life - and committed to becoming the leading provider of quality early childhood education and care in Australia.