



Australian Government

Child Care Package Evaluation

Government response

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Overview

The Australian Government's support for early childhood education and care (ECEC) demonstrates its commitment to ensuring families have more choice and opportunity to work, train and study, and that children are engaging in high quality early learning. The Government's targeted financial assistance to reduce the cost of quality ECEC ensures Australian families can choose care around their work, supporting increased workforce participation.

Implementation of the Government's Child Care Package (the Package) in July 2018 was the biggest reform in child care assistance ever undertaken. It was informed by the Productivity Commission's Inquiry into Childcare and Early Childhood Learning (2015). The centrepiece of the Package is the Child Care Subsidy (CCS) which provides targeted financial support to families – with more support for those who earn the least. Through the Child Care Safety Net, the Government provides additional support to vulnerable and disadvantaged families and those located in a regional or remote communities.

More than one million Australian families benefited from the Government's record funding of around \$10.3 billion in 2021-22, including \$9.9 billion on the CCS. This investment is set to increase to around \$11 billion in 2022-23.

The goals set out by the Government at the introduction of the Child Care Package have been fulfilled – the Package was designed to drive participation and provide more support to low and middle income families. The Productivity Commission's recommendation for a 'benchmark price', the hourly rate cap, has also continued to keep downward pressure on fees. Families have had access to one streamlined CCS, instead of the previous dual system of Child Care Benefit and Child Care Rebate.

To ensure the Package was meeting its objectives, in 2017 the Government engaged a consortium led by the Australian Institute of Family Studies to evaluate the Package. The evaluation covered all key elements of the Package, including the CCS and the Child Care Safety Net. Data collection for the evaluation was originally intended to continue until 30 June 2020 to provide two years of implementation data. As a result of the impact of COVID-19 on families' child care usage, the evaluation was limited to data to the end of 2019. As such, the evaluation has not been able to assess the substantial supports offered throughout COVID-19 and the more recent 2021 22 Budget announcements which highlight the Government's ongoing commitment.

Through an Early Childhood Education and Care Reference Group and other advisory groups established by the Department of Education, Skills and Employment (DESE), the Government regularly engages with the ECEC sector. The Government will continue to actively work with families and providers to monitor and understand how the system is performing.

The Child Care Package is working for Australian families

As at the March quarter 2021, around one million Australian families were benefiting from the CCS, with the average weekly hours of child care use per child (excluding In Home Care) at 26.2 hours. These families come from a range of backgrounds and broadly reflect a cross-section of Australian families. The average household income is \$138,440, with families from all around Australia benefiting – 78 per cent in major cities, 22 per cent in regional Australia and 1 per cent in remote Australia. Around 90 per cent of families receive a subsidy of between 50 and 85 per cent.

The number of children who are supported by the Additional Child Care Subsidy (ACCS), which in most cases covers the entire out of pocket costs for a family, has almost doubled to 41,730 children in March 2021. The number of Indigenous children accessing child care has also continued to increase year-on-year since the introduction of the Package.

The evaluation shows the Government's reforms have improved child care affordability and supported a majority of families, including those experiencing vulnerability and disadvantage, to increase their children's participation in ECEC including:

- CCS has reduced the net cost of child care for a majority of families using care, with these impacts strongest among low-income families and families with multiple children in care.
- CCS has reduced the Effective Marginal Tax Rates (EMTRs), with an average 8.5 percentage point reduction in the EMTRs on earnings parents would gain from working an additional day.
- Overall, parents expressed satisfaction with the child care service their child was attending, with over 85 per cent saying they were satisfied or very satisfied.

The Government is also investing \$200.1 million to enhance myGov, which was established in 2013, and is the main portal for Australians to access government services online, currently used by nearly 20 million Australians. Families access myGov to report their income to determine eligibility for CCS and to confirm their child's enrolment at an ECEC service. The changes to myGov will deliver a simpler and more tailored experience for Australians based on their preferences and interactions, through streamlined and enhanced digital delivery of the government services they need. The time saved alone from these enhancements is estimated to generate benefits across the economy, totalling \$3.6 billion over 10 years.

The Government's 2021-22 Budget announcements continue to support choice and transparency for families, including making child care more affordable for growing families by increasing the CCS rate for their second child five or under and any younger children; removing the CCS annual cap for all families; and establishing an enhanced, family-focused child care website.

The Package has delivered a strong safety net for all Australian children

The Additional Child Care Subsidy (ACCS)

ACCS provides extra support for children at risk of serious abuse or neglect; grandparent principal carers on income support; families experiencing temporary financial hardship; and parents transitioning to work. In most circumstances, ACCS covers all child care costs for more than 40,000 children experiencing vulnerability and disadvantage, by paying up to 120 per cent of the hourly rate cap.

There has been continued growth in the number of children and families receiving support through ACCS. In the March quarter 2021, the number of children receiving ACCS payments was 41,730—a seven per cent increase compared to the same quarter in 2020 and almost double the September 2018 quarter. Around one in seven children receiving ACCS are Indigenous children (5,890)—an increase from 4,870 in the same quarter in 2020. Changes implemented in June and July 2021 continue to ensure it is easier for child care providers and vulnerable families to access ACCS.

Aboriginal and Torres Strait Islander children

The Government's investments in the Child Care Package support the participation of Aboriginal and Torres Strait Islander children in high quality, culturally appropriate ECEC. Most recent quarterly data reflects an increase of 9.3 per cent in participation of Aboriginal and Torres Strait Islander children in the March quarter 2021, compared to the March quarter 2020. In 2021, over 17,500 Aboriginal and Torres Strait Islander children were enrolled in preschool in the year before full-time school (an increase of over 1,000 children compared to 2018).

Encouraging inclusivity for all children

The Inclusion Support Program (ISP) continues to be a key mechanism in supporting ECEC services to build capability and capacity to include children with additional needs alongside their typically developing peers. In August 2020, the Government announced an additional \$5.2 million to help children with additional needs during COVID-19, including \$4.4 million to help ECEC services support children with trauma related behaviours or mental health conditions relating to the pandemic, and \$860,000 to provide additional inclusion aids (such as mobility devices) to child care services. In response to recent and significant increases in demand for ISP support, on 16 December 2021 the Government announced increased funding of \$73.9 million for the ISP's Inclusion Development Fund Subsidy in 2021-22. This funding allows services to engage an additional educator within a setting to ensure inclusion of children with additional needs or challenging behaviours.

Implementation of recommendations from the 2020 Review of the Disability Standards for Education 2005 continues, including the development of a suite of resources for ECEC services, supported by a digital awareness campaign to build sector awareness of the obligations of education providers under the Disability Discrimination Act 1992 (DDA). The campaign is being undertaken by the Australian Children’s Education and Care Quality Authority (ACECQA). Work is also underway to strengthen alignment of ECEC policies and regulations to the DDA and amend the Disability Standards for Education 2005 to incorporate ECEC.

Women’s workforce participation has increased

The benefits of the Child Care Package accrue for both children and their families, including through increased parental workforce participation, especially for primary carers, who are often women. The Government is committed to an inclusive recovery from the COVID-19 pandemic and is determined to see women’s employment and workforce participation improve. Affordable, accessible child care is a key part of this effort.

In February 2022 women’s workforce participation reached an all-time high of 62.4 per cent, higher than pre-COVID levels. The ABS Participation, Job Search and Mobility survey asks Australians who are available to start work about their reasons for not looking for work and has been collected since 2015. In 2021, around 54,000 people indicated a child care service related reason – the lowest since the data has been collected and around 44 per cent lower than in 2015.

Analysis indicates that increasing paid hours among women is the single biggest change that would help to close the lifetime earnings gap between men and women.

However, child care is not the only factor driving workforce participation decisions. The ABS August 2020 report on Barriers and Incentives to Labour Force Participation, based on 2018-19 data, recognises the many factors that people consider somewhat or very important when they choose to go to work. Women ranked workplace flexibility, such as working a set number of hours on set days and the ability to work part-time hours as more important than financial assistance with childcare costs.

The Government’s expansion of the Package, through its reforms contained within the 2021-22 Women’s Budget Statement, are designed to increase parental workforce participation, especially for women. The years before children go to school can be financially tough for families, especially for families with multiple children. Women in families with more than one child compared to one child are less likely to be at work – and that is especially true for single mums. Increasing subsidies for those second and subsequent children aged five and under is targeted to reducing barriers for primary carers, typically mothers, when they are seeking to increase their workforce participation.

The provider market is strong

Notwithstanding the magnitude of the 2018 reforms, the Government has continued to engage with Australian families and the ECEC sector to identify opportunities to better target Government assistance, support a robust and competitive market, and continue to make significant investments and improvements to the operation of the child care system.

Like other costs, child care fees have increased, however these have been lower than the ten-year average since the introduction of the Package. Over the last ten years, the average growth in the average hourly child care fee per child was 4.8 per cent. However, over the year to the March quarter 2021, it was 2.5 per cent.

The hourly CCS rate caps were introduced as part of the Child Care Package as one of the key mechanisms to keep downward pressure on fees. Significantly, in the March quarter 2021, 86.2 per cent of Centre Based Day Care services and 87.7 per cent of Outside School Hours Care services were charging at or below the rate cap.

Market indicators have remained strong throughout the pandemic, with regular market entrants across service types and few applications from child care services for viability support under the Government's Community Child Care Fund Special Circumstances funding. Unprecedented investment to respond to the challenges of COVID-19 ensured sector viability and continued support for families. The Government has invested around \$3.2 billion to support families using child care services since the start of the pandemic. Government support is widely credited with allowing families to maintain their child care enrolments during the pandemic and ensuring the viability of the sector. As at February 2022, more than 99 per cent of approved CCS services were open.

Government amendments to the Family Assistance Law have enabled flexibility to support families, especially through allowing services to waive gap fees paid by families in various COVID related situations.

The National Quality Framework was established to raise quality and drive continuous improvement and consistency in ECEC across Australia. The system is working – since 2012, quality has improved substantially, from 57 per cent rated as 'meeting' or higher in 2012 to 87 per cent in 2022, despite significant growth in the ECEC sector and recent challenges faced by providers, including COVID-19.

A strong, skilled and sustainable early childhood workforce

The early childhood workforce is critical to securing Australia's economic recovery and outcomes for children. The National Skills Commission's seasonally adjusted detailed employment data from the Australian Bureau of Statistics Labour Force Survey indicates that as at November 2021 there were

around 198,800 early childhood educators, including 49,300 early childhood teachers currently working in the ECEC sector. While the evaluation found the labour market for early childhood educators in general was not experiencing any shortages, the Government recognises that there are current workforce supply issues exacerbated by COVID-19. The National Skills Commission's 2021 Skills Priority List, released on 30 June 2021, indicated that there are national shortages of child care workers (the largest cohort of the ECEC workforce) and early childhood teachers.

A highly skilled and capable workforce is essential in fostering high quality services and achieving the best outcomes for children. That is why all governments, in partnership with the ECEC sector, co-designed the 10-year National Children's Education and Care Workforce Strategy (the Workforce Strategy) released by the ACECQA on 13 October 2021 to support the recruitment, retention, sustainability and quality of the ECEC workforce. Implementing the Workforce Strategy is a joint responsibility between governments and the sector, as no single stakeholder group can be responsible for all the actions.

The Government has ensured that employers, including ECEC services, are being supported through a range of initiatives and incentives as part of its broader economic and employment programs. For example, data as at December 2021 indicates over six per cent of JobTrainer enrolments have been in ECEC qualifications and the Job Ready Graduates package has reduced the cost to students of early childhood teacher qualifications by 42 per cent.

Measures announced in the 2021-2022 Budget

Targeted support for families to keep out-of-pocket cost low

The Government continues to ensure families can access affordable and quality ECEC and remove barriers to ease pressure on working families and encourage more parents into work. On 10 December 2021, the annual cap of \$10,655 for all families earning over \$190,015 was removed for the entire 2021-22 financial year onwards, benefiting around 18,000 families.

From 7 March 2022, families with two or more children aged five years or under in care receive an increased subsidy rate of 30 per cent for their second child and any younger children, up to a maximum subsidy rate of 95 per cent. Together, these changes benefit around 250,000 families per year. Increasing the maximum subsidy rate for second and subsequent children to 95 per cent (compared to 85 per cent currently), will allow around 50 per cent of families to receive the maximum 95 per cent subsidy for their second and subsequent children, and around 95 per cent of families who benefit from the measure (those earning less than around \$250,000) will receive a subsidy of at least 80 per cent for their second child and subsequent children. An average eligible family will be better-off by around \$780 in 2021-22 and around \$2,260 a year from 2022-23 onwards.

These measures are targeted at where the greatest workforce disincentives existed and will encourage greater workforce participation, particularly for women. The Government estimates this will allow around 40,000 parents to work an extra day a week and boost the economy by \$1.5 billion a year.

Guaranteeing preschool for Australian children

Access to ECEC also extends to the provision of high-quality preschool in the year before full time school, and all Australian Governments are jointly committed to the provision of 600 hours a year (15 hours a week). Preschool funding arrangements were considered in the Productivity Commission's Inquiry into Childcare and Early Childhood Learning (2015) and the Review of Universal Access to Early Childhood Education National Partnership (2020).

The Australian Government announced ongoing funding for preschool in the 2021-22 Budget with \$2 billion for a new four-year Preschool Reform Agreement (the Agreement) from 2022 to 2025.

Each year, the Commonwealth contribution will support more than 300,000 children in the year before full-time school and around 12,000 preschool services. The Agreement will maintain access to 600 hours of preschool in the year before school for all children and support a reform agenda focused on improving preschool attendance and outcomes, particularly for Aboriginal and Torres Strait Islander children and children experiencing disadvantage. It also includes a commitment to ensure that children benefit from preschool funding, regardless of whether they attend a dedicated preschool or preschool in a centre based day care. How Commonwealth funding is used to benefit children will be dependent on state implementation arrangements, however, approved uses include reducing out-of-pocket costs for families and improving preschool quality.

Closing the Gap in ECEC

The Government's \$123 million Closing the Gap package assists Indigenous children to participate in ECEC in their early years. \$81.8 million is being delivered to expand the Connected Beginnings program, a joint health and education initiative which helps Aboriginal and Torres Strait Islander children prepare for school. The expansion to 50 sites by 2025 will see around 20 per cent (18,905) of Aboriginal and Torres Strait Islander children aged 0-4 living in an area with Connected Beginnings.

A further \$29.9 million is being delivered to expand the Community Child Care Fund Restricted program to fund a further 20 high quality Aboriginal and Torres Strait Islander child care services, benefiting up to 3,500 children by 2025, mainly in remote communities currently without access to child care.

These program expansions will be complemented by further evidence-driven investments. This includes \$9 million towards the Early Years Education Program replication trial to establish four new sites, providing a high-quality, multi-disciplinary model that offers ECEC, infant mental health and family support to help at risk and disadvantaged children make significant early learning and development gains. An additional \$1.9 million will support the design, implementation, and evaluation

of an Early Learning Teaching Trial in two trial sites in an early learning setting, with a focus on improving school readiness outcomes for Aboriginal and Torres Strait Islander children.

The new National Aboriginal and Torres Strait Islander Early Childhood Strategy and an Early Childhood Care and Development Sector Strengthening Plan have been finalised and will support long term strategic and cross-portfolio approaches that enable stronger collaboration and coordination across governments, communities, and peak bodies to improve Aboriginal and Torres Strait Islander early childhood outcomes. This includes supporting access to quality, culturally appropriate ECEC services.

Improvements for a simpler and more transparent child care system

The Government is committed to ensuring fee transparency, so that families can make informed choices about their child care arrangements. CCS approved providers are required to report their fee information so that it can be published by DESE, now through the Starting Blocks website. Ongoing compliance activity has improved fee transparency for families. The Child Care in Australia publication provides quarterly administrative data and is publicly available on the DESE website to inform governments and the sector of usage and market trends.

The commitment made by the Government as part of the 2021-22 Budget and delivered in February 2022, has delivered fee information, along with vacancy, inclusions and quality information on a single family-focussed child care website, the Starting Blocks website. Additional enhancements also include a comparison checker to allow families to compare services and inclusions, and a simple calculator that allows families to estimate their out of pocket expenses.

The Government is investing in a Market Strategy to be delivered by September 2022 to inform its stewardship of the child care sector. The Market Strategy will be complemented by a Market Monitoring Framework for the sector, which will provide advice to Government about how to best support the ECEC market, providing benefits to providers and families to buoy competition and guarantee effective consumer choice. The Government will also commence a review of the hourly rate caps in 2022, which are a key market mechanism to keep downward pressure on fees.

Together, these initiatives will provide options for greater transparency in the market, as a way to increase competition and put downward pressure on prices. It will also assist Government to identify thin markets and areas of need, and consider solutions to address them. The Government will continue to ensure that any understanding of how the sector operates can be used to improve information for families and allow families to make choices about child care arrangements that suit them.

Response to recommendations

Table 1 outlines the Government’s response to specific recommendations from the final report.

Table 1: Australian Government response to recommendations from the final report

Recommendation	Government Response
<p>Enrolment and commencement</p> <p><i>The two-stage enrolment process, which includes application and confirmation, requires review to avoid the problems where parents fail to confirm their enrolment. The requirement for families to pay full fees (without subsidy) pending CCS approval requires review to mitigate the hardship this can cause.</i></p>	<p><i>The Government notes this recommendation</i></p> <p>Overall, the Government considers the CCS system and processes to be effective and efficient. As at February 2022, CCS claims took an average of 10 days to process, while Additional Child Care Subsidy (ACCS) (child wellbeing) claims, which support more vulnerable families and children, took an average of four days to process.</p> <p>The requirement for families to confirm new enrolments is an important step in ensuring parents are fully aware of the sessions for which they will be charged and the fees they will be liable to pay.</p> <p>Agreeing to the Complying Written Arrangement with the provider ensures compliance, prevents unintended consequences (such as overpayment), and ensures CCS payment integrity.</p>
<p>Allowed Hours</p> <p><i>The Package effectively reduced the minimum level of support for vulnerable children from 24 hours per week to 24 hours per fortnight, the adequacy of which should be reviewed.</i></p>	<p><i>The Government notes this recommendation</i></p> <p>There is significant flexibility in what parents can do to meet the CCS activity test, in order to increase their hours of CCS. In addition, the Government has implemented a range of supports to assist vulnerable children and families to access affordable and high-quality ECEC. This includes through additional subsidies, targeted programs delivered under the Child Care Safety Net, and through ongoing preschool funding and reform.</p> <p>The Government continues to encourage providers to support families by offering more flexible session lengths to ensure families can maximise their hours.</p>

Recommendation	Government Response
<p>Removal of the annual cap</p> <p><i>Although the number of families affected is small, the annual cap on the amount of Child Care Subsidy that can be paid to families, impacts middle to high income families – already affected by reduced subsidies – and should be removed.</i></p>	<p><i>The Government supports this recommendation</i></p> <p>In the 2021-22 Budget, the Government announced reforms to the CCS to give effect to its commitment to make child care more affordable for the families who need it most.</p> <p>The removal of the annual cap came into effect from 10 December 2021 and was applied to the entire 2021-22 financial year onwards. This measure will benefit around 18,000 families. This will also ensure families with multiple children eligible for the increased subsidy from 7 March 2022 do not exhaust their CCS cap sooner in the year for younger children.</p>
<p>Improved CCS Calculator</p> <p><i>The Centrelink CCS Calculator, which is provided as an online tool, should be redeveloped to provide a simpler tool to guide parent decision making.</i></p>	<p><i>The Government supports this recommendation</i></p> <p>As part of the 2021-22 Budget, the Government committed \$9.2 million to establish a family-focussed child care website, to make it easier for families to get accurate information about local services, quality, fees, and vacancies.</p> <p>The Starting Blocks website, launched in February 2022, brings together the Child Care Finder, delivered by Services Australia, and Starting Blocks, delivered by the Australian Children’s Education and Care Quality Authority (ACECQA). This website also provides a new function to allow families to compare child care providers, and to identify out of pocket expenses using a simple calculator.</p> <p>Services Australia’s Payment and Service Finder tool remains an important resource to help customers find the Government payments and services they may be eligible for and work out how much money they may be entitled to receive.</p>

Recommendation	Government Response
<p>Operation of the ACCS <i>The administrative processes involved in ACCS (child wellbeing) applications are viewed as difficult by a significant proportion of services. Attention should be given to reviewing where the impacts of these administrative processes can be reduced.</i></p>	<p><i>The Government supports this recommendation</i></p> <p>The implementation of CCS in July 2018 improved pre-existing processes associated with the legacy Child Care Benefit/Child Care Rebate program.</p> <p>In response to feedback received from the ECEC sector regarding ACCS (child wellbeing), significant legislative changes were made to the ACCS (child wellbeing) claim process to enable services to certify eligibility for an initial period of up to six weeks, when they first identify a child meets the criteria of at risk. The changes which came into effect in July 2021 allow the period of time a provider can apply for an ACCS determination to be extended from 13 weeks to up to 52 weeks for children under long-term child protection orders, such as children in foster care arrangements, further reducing the frequency of reviews to ongoing ACCS (child wellbeing) determinations.</p> <p>Additionally, in the 2021-22 Budget the Government announced streamlining of CCS and ACCS payments to reduce the administrative burden on providers and strengthen the relationship with providers and families when backdating payment of CCS and ACCS. These improvements came into effect for providers from 1 July 2021.</p>

Recommendation	Government Response
<p>Improved helpdesks <i>The operation of the DESE and Centrelink helpdesks should be reviewed to improve service.</i></p>	<p><i>The Government supports this recommendation</i></p> <p>The Government is committed to supporting children and families to easily understand and access the supports available to them. Clear and helpful information is provided to parents and families through a variety of channels, including Services Australia and the CCS Helpdesk (DESE).</p> <p>Since the evaluation, the respective helpdesks have been improved by implementing regular meetings and information sharing. This has streamlined communication, resulting in faster and better outcomes for families and services. Processes have been analysed to ensure maximum efficiency and continue to be reviewed regularly.</p> <p>Improvements in the CCS Helpdesk service are demonstrated by performance between July – December 2018 to the same period in 2020:</p> <ul style="list-style-type: none"> • enquiries reduced by over 58 per cent; and • average call handle times decreased by over 13 per cent. <p>The CCS Helpdesk maintains its escalation processes with Services Australia to ensure that parent and service enquiries are managed more efficiently. Data shows that required interventions have reduced by 31 per cent for the period July – December 2020 when compared to the same period in 2018.</p>