Australian Government
Department of Education, Skills and Employment

Early Childhood Education and Care Relief Package Four Week Review

Summary Report 18 May 2020

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Overview

The Early Childhood Education and Care (ECEC) Relief Package was announced on 2 April 2020 as a temporary measure to ensure the viability of the ECEC Sector and the continued provision of care for children of essential workers and vulnerable children (for the period 6 April to 28 June 2020).

The review has been informed by available departmental data, feedback from stakeholders through submissions and targeted consultations, and an online survey of 7,301 service providers undertaken on behalf of the department by ORIMA Research between 24 April and 4 May 2020.

The ECEC Relief Package

The Relief Package aims to support sector revenue through a combination of

- Business Continuity Payments based on 50 per cent of fee revenue during a reference period;
- JobKeeper Payments, with JobKeeper estimated to account for around one third of fee revenue/costs—noting this would vary depending on employee arrangements;
- Supplementary payments where they are experiencing greater demand than during the reference period or, in certain circumstances, where they are ineligible for JobKeeper; and
- The cash flow boost for employers initiative whereby eligible businesses and not-for-profit (NFP) organisations will receive between $20,000 to $100,000 by lodging their activity statements up to the month or quarter of September 2020.

In return for this funding services are required to remain open, not charge fees and give priority to care for children of essential workers, vulnerable/disadvantaged children and children enrolled before the Relief Package was introduced. However, services are not required to offer care at the same levels they did before the Relief Package. The Government has indicated that they should make business decisions about the care they can afford to provide, and are able to provide safely in the current climate.

The design of the Relief Package was limited by the urgency of a rapidly evolving health and economic situation and within the parameters of the existing legislation. The urgent implementation of the package was driven by the context of rapidly declining attendances and enrolments in most child care services across Australia, leading to significant falls in revenue from fees and the Child Care Subsidy, putting the immediate viability of many services at risk.

The legislative mechanism for implementing the Relief Package was an amendment to the *Child Care Subsidy Minister's Rules 2017* with reference to Section 205A of the *A New Tax System (Family Assistance) (Administration) Act 1999*. Attendance data is not available through the Services Australia system during the Relief Package arrangements.

Findings of the Four Week Review

The sector was in crisis and required urgent intervention

The survey points to a sudden and significant drop in attendance for a large majority of the sector as a result of COVID-19. Amongst Centre-based Day Care services, which account for 58 per cent of children in ECEC, 31 per cent reported attendance decreased by more than half, and a further 50 per cent of services experienced significant declines of between 20 and 50 per cent. The reduction in attendance in Outside School Hours Care was more pronounced, with 77 per cent reporting attendance declined by more than 50 per cent. Decreases in attendance were also reported, to a lesser extent by Family Day Care and In Home Care services.

The urgency of the crisis facing ECEC services was also underlined by submissions and other engagement with stakeholders undertaken for the review. Submissions and discussions indicated that in the days leading up to the announcement of the Relief Package, attendance had reduced on average between 30 and 40 per cent, and mass service closures and staff layoffs were imminent. Data published by one peak body indicated that in the week the Relief Package was announced, 30 per cent of providers faced closure due to a massive, shock withdrawal of families and another 25 per cent of providers were not sure they could ever recover, even once the virus crisis has passed.

The objective of the Relief Package has been achieved

The Relief Package has succeeded in its objective of keeping services open and viable to provide early childhood education and care, with 99 per cent of around 13,400 services operational as of 8 May 2020.

Responses to the ORIMA survey, from around 54 per cent of all services, showed that services considered that the relief arrangements (the Relief Package together with JobKeeper) were helping services, at least to some extent, to: stay open (86% of services), remain financially viable (76%), retain staff (86%), provide child care to the children of essential workers and vulnerable children (87%) and keep children enrolled (80%).

Generally, services report capacity to provide care to meet the level of demand as at the end of April 2020. Some services indicate they are doing so at a loss, for a range of reasons, including that JobKeeper had not yet commenced flowing to services at the time of the Review and that cost structures were different in different services and these costs were not able to be met in all cases by the Relief Package (for example where rents are very high and debt and salaries higher than average).

Services have chosen to adjust their operations to fit the funding model and some services have chosen to limit attendance further for their social distancing and hygiene choices. Each of these adjustments was contemplated and is permissible under the conditions of the Relief Package.

COVID-19 and the Relief Package have impacted services differently

The child care sector is very diverse and COVID-19 has impacted child care services differently in different locations. There are pockets of dissatisfaction with the Relief Package among services that have maintained high attendance regardless of the impacts of COVID-19, and among services that are ineligible for JobKeeper, or experiencing a significant proportion of their staff being ineligible (such as recently engaged casuals, or temporary visa holders).

The Review found that:

- Centre-based Day Care and Outside School Hours Care services, which account for over 90 per cent of children in early childhood education and care, were most impacted by COVID-19, with over 80 per cent of these services reporting significant decline in attendance by more than 20 per cent.
    - Some 31 per cent per cent of Centre-based Day Care services experienced very significant decreases of over 50 per cent.
- Demand for In Home Care has been less impacted by COVID-19 in particularly, with 32 per cent of services reporting attendance had remained about the same, 21 per cent reporting a significant decline (more than 20 per cent), and 22 per cent reporting increases in demand.
    - These specialist services support families and children with particular needs in the family's home, including vulnerable children, parents with disability/illness, and parents who are shift workers.
- Some services report higher numbers of staff who are temporary visa holders, however it is a very small percentage of services who are significantly impacted (only 4 per cent of services have more than 20 per cent of staff who hold temporary visas).
    - These workers are more prevalent in Centre-based Day Care services.
- 87 per cent of services reported they were applying for JobKeeper.
    - Almost a third (29 per cent) of those not applying were part of a larger non-government entity that did not meet JobKeeper eligibility (including larger not for profit organisations and independent schools).

It should be noted that the Review occurred prior to a number of interventions to provide further assistance to many of these groups. JobKeeper had not yet started flowing to services, and the survey and consultations indicated some services were not yet clear if they were going to receive JobKeeper. The ORIMA survey also occurred prior to the decision of Government (announced on 1 May) to provide extra financial support to non-government schools, not-for-profit organisations and educators from Family Day Care and In Home Care services which are not eligible for JobKeeper.

There are some areas which require further consideration

Employees ineligible for JobKeeper

While JobKeeper was not designed to cover every worker in the economy, the Review found that some services experience comparatively low coverage of their staff due to the nature of their business and employment model. This becomes an issue where so few workers in a service are covered that its ability to continue to operate and/or provide care is affected. As noted above, this a particular consideration for Outside School Hours Care, In Home Care and services with a high number of temporary visa holders.

Need to shift focus to meeting growing demand

The Review suggested a need to consider how the Relief Package can support economic recovery, supporting parents to get back to work and study, and children's early childhood education and wellbeing. On 8 May 2020 the Prime Minister announced a three-step plan for re-opening a COVID-safe Australia and economy, with the goal to have a sustainable COVID safe Australia in July 2020. This will accelerate increased attendance as Australians begin to return to normality and schools and the economy reopen.

A widespread concern of stakeholders is that as demand for care increases, as schools return to face-to-face learning and economic activity picks up, the Relief Package funding may face challenges meeting more normal levels of demand. Stakeholders reported that demand for child care is expected to increase significantly through May and June as the economy opens up and schools return, yet services cannot apply for Supplementary Payments until attendance exceeds reference period levels. This led to some to call for an early return to the Child Care Subsidy system and/or increases to the relief payments. However, there is no consensus and others wish the package to continue.

Data from the ORIMA survey suggests that overall child care attendance rates remained well below capacity at approximately 63 per cent of reference period levels. This suggests there is still some movement required before demand returns to its pre-pandemic levels and places pressure on current funding settings.

Given the lack of attendance report data via the Child Care Subsidy system, the department will continue to engage with the sector to monitor change in demand.

Intersection with free childcare

A key condition of the ECEC Relief Package is that services receiving funding are not allowed to charge any fees to families. The Review considered whether to provide a mechanism for parents to make a contribution to their service costs. However, this could lead to scenarios where services preference paying families at the expense of those not providing a voluntary contribution, putting vulnerable children particularly at risk. Parents may feel pressured because they need the care, even if they cannot afford it.

Issues for particular service types

As indicated above, the Relief Package is not experienced in a uniform way by all services. The Review considered those service types which report particular issues. Family Day Care and In Home Care services experienced less reduction in demand than other service types, with 21 per cent and 11 per cent respectively reporting decreases of over 50 per cent.

In Home Care, although much smaller in overall numbers of services and children, has a specific service model that resulted in fewer services with reduced attendance, and indeed 22 per cent with higher attendance. In Home Care has higher proportions of vulnerable children, highlighted by the higher rates of Additional Child Care Subsidy as a proportion of total subsidy; 18.7 per cent compared to 0.46 per cent for Family Day Care and 0.82 per cent overall (September 2019).

The picture for Family Day Care is much more variable, where 53 per cent of services experienced a decrease in attendance of 20 per cent or more, with 24 per cent about the same, and only 9 per cent experiencing growth. A bigger issue for Family Day Care was the large number of contract educators not eligible for JobKeeper, sometimes as a result of issues with not having an ABN.

Both Family Day Care and In Home Care services had numbers of educators who could not be covered by JobKeeper because they did not have an ABN on the relevant date. While the exact number not covered is unclear, this was a cause of concern for some services. In response, the Government announced on 1 May 2020 that it would use the Relief Package to provide funding equivalent to JobKeeper for those educators without an ABN, provided they applied for one by 1 June 2020.

The Review considers that In Home Care remains the segment of the sector requiring further consideration, noting the supplementary payments already available.

Next steps

In addition to these areas for further consideration, the Review found that any planning for refinements to the Relief Package should also consider planning for return to business as usual. The sector has widely called for four weeks' notice to support transition back to the Child Care Subsidy system. Consideration could be given by the Government to the interaction between likely demand trajectories, any refinements to the Relief Package refinements, and plans for return to CCS settings.