

## The COVID-19 Response Inquiry

As the national peak body for the Australian Early Childhood Education and Care (ECEC) sector, the **Australian Childcare Alliance (ACA)** represents more than **3,000 provider members** who employ more than **75,000 educators** and care for more than **360,000 families** throughout Australia. Our vision is a future where **every child in Australia has access to high quality, affordable and sustainable early learning services.**

The COVID pandemic was the single most devastating crisis to affect Australia in our lifetimes. From the early months of 2020 and onwards, our lives were irrevocably changed as society was consumed by fear and uncertainty about our health and financial wellbeing. The unprecedented nature of the crisis resulted in the need for rapid health policy responses to manage and protect society from the health impacts of COVID and consequently the need to deliver emergency financial policy responses to provide certainty of funding. Whilst the ECEC sector was no different to others in requiring additional funding to survive the impact of the lockdowns, it stood out as being unique in terms of providing an essential service and acting as a backbone to the Australian economy.

Throughout March 2020 the significant level of fear among the community started to impact attendance at ECEC services across the country. Much of the political and news commentary centred around when (not if), we would go into lockdown, including ECEC services. There is a perception that ECEC services have higher rates of exposure to transferrable viruses than other environments, which raised parents' concerns and caused attendances to drop. It seemed as if this would be an ongoing issue for many months and the sector at large urgently called on the Federal Government to act, to ensure that the ECEC sector survived through and beyond any lockdowns. Whilst the rapidly implemented funding solution was not perfect - the majority of ECEC services benefited from it but some services were worse off under the new model and were very vocal about it - the fact that an emergency relief government funding model was rolled out so rapidly to prevent the closure of many services was remarkable and unprecedented.

### Summary of issues impacting the operation of ECEC services

- The rapid and frequently changing Health directives required ECEC services to quickly pivot operations and staffing.
- Lockdowns and child absences meant the entire sector was in financial crisis – monitoring the financial sustainability and security of the entire ECEC sector was vital.
- Workforce burnout continued to affect the sector's workforce due to contributing factors such as the ever-changing protocols, the vaccine mandates, job uncertainty, border closures, restrictions with visas and skilled migration.
- Inconsistent State Government approaches, policies, funding, and mandates proved challenging.
- Different funding models were not equally accessible to ECEC services across the country.
- ECEC services had to adjust to Transition Payments, a cap on fees and supporting families through changes to Child Care Subsidy (CCS) and changing levels of access to their ECEC service during times of crisis.
- Affordability became a problem for parents who had used up their allowable absences – the increase in the allowable absences helped affordability for families & support services maintain health protocols.

### Timeline of events

#### **March 2020**

- 1 March 2020 social distancing restrictions began, and Federal and State governments directives that ECECs remain open for essential workers. **Impact** – Decline in ECEC attendance and participation, many families withdrew their children which impacted service's ability to cover operational costs. The capacity to maintain staff employment levels created concerns around job security for educators and teachers.
- Operational changes in services to prioritise essential workers and implement health directives in daily processes.
- Child Care Community Funding (CCCF) extended to include services affected by COVID. Consequently, there was an inundation of applications, and delays in delivering this stop-gap financial support.
- 30 March 2020 – JobKeeper payment commenced.

#### **April – June 2020**

- 2<sup>nd</sup> April ECEC Relief Package with range of measures including to pay providers 50% of their total revenue, up to the prescribed CCS hourly rate cap pre-dating impact of COVID-19 on enrolments and attendance (17<sup>th</sup> February to 1<sup>st</sup> March). **Impact** – The ECEC Relief Package, with JobKeeper became problematic due to JobKeeper eligibility issues.
- Large return of children to ECEC services, however due to limited funding, services were often forced to cap the number of children each day. Some State Governments (especially SA) encouraged parents to re-enrol from term 2, based on

Department of Health advice that ECEC was a low-risk environment. Impact – Families were unable to regain their place at their service, and new mothers re-entering the workforce were unable to find positions as centres simply did not have availability.

### **July to September 2020**

- Early July, a return to the CCS coupled with a raft of additional measures including Transition Payments up until September, activity test exemptions and a cap on fees, with an emphasis on maintaining employment through Employment Guarantee.
- 20 July, JobKeeper ceased for ECEC staff and services, replaced by Transition Payment.
- From 13 July until 27 September Transition Payment was introduced which provider service providers with 25 per cent of their fee revenue or hourly rate cap (whichever is lower) during the Relief Package reference period. Impact – The move away from JobKeeper was beneficial to the sector, employees, and ultimately families – as nearly 80,000+ (40%) of the ECEC had not been eligible for JobKeeper.
- Employment Guarantee of Transition Payments supported the ongoing employment of educators and staff.
- Easing the activity test until supported ongoing access for children and families, with increase in participation from lower income families.
- Extension of eligibility for the ACCS (temporary financial hardship) to support more families experiencing loss of income to receive free care up to 120% of the hourly rate cap for the maximum 100 hours per fortnight.
- Australian states were affected with lockdowns and COVID health directives to different degrees. Melbourne experienced the heaviest lockdowns with a total of 111 days.<sup>1</sup>
- In August, Federal Government announced immediate support for ECEC services in Victoria. *The Child Care Recovery Package* offered targeted support for Victorian ECEC services:
  - o Increased Transition Payment (to 5 percent of service fee revenue from the pre-COVID reference period for services in metropolitan Melbourne under stage 4 restrictions)
  - o Special Transition Payment (equal to 10, 15 or 25 percent of service fee revenue from the pre-COVID reference period for services with low average pre-COVID CCS fee revenue and low attendance for services in metropolitan Melbourne under stage 4 restrictions);
  - o Low Charged Hours Payment (equal to between 5 and 55 percent of service fee revenue from the pre-COVID reference period depending on the extent to which charged hours have fallen and the extent to which the service is receiving other transition payments).
  - o additional 30 days, or six weeks of allowable absences for those service located in Melbourne under the Stage 4 Restrictions.<sup>2</sup>
  - o all Victorian providers waive the gap fee to families during this period and families received 30 additional allowable absences
  - o where Child Care Subsidy (CCS) made up less than 50 per cent of their revenue, the government offered to bring this funding level closer to the sector average.
  - o A Recovery Payment of 25 per cent of pre-COVID revenue to child care services in Victoria, from 28 September 2020 until 31 January 2021.

Impact- Victorian families could maintain their enrolment over next six weeks without incurring a fee, and allowing for the same amount of absences at end of the Stage 4 Restrictions. Newly established ECEC services in Victoria found the Transitional payments not accurately representing their actual costs and disproportionately low as payments were modelled on data from earlier in the year.

### **June 2021 – 30 June 2022**

- Ongoing impact of pandemic felt differently, across the states and territories, with nearly half of Australia's population under lockdown in July 2021, (Vic & NSW impacted by lockdowns until December 2021).
- Mandatary COVID-19 vaccinations required staff to have the first two vaccinations by November 2021. A third round was required in most states and territories by February 2022.
- 23 August 2021, the *ECEC Viability Support Package* was announced for eligible ECEC services to receive business continuity payments in Commonwealth declared COVID-19 hotspots if:
  - the Commonwealth hotspot runs for more than 7 days & the govt has limited who can access child care, or
  - the Commonwealth hotspot extends beyond 28 days.
- Centre Based Day Care and Family Day Care services receive fortnightly payments of 25% of their reference period revenue calculated up to the hourly cap, contingent on services meeting a number of conditions including staffing, revenue, and state Health Protocols.

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<sup>1</sup> (spanning from July 8 – October 27 2020, five days in mid-February, two weeks in May-June and 12 days in July).

<sup>2</sup> This funding supported all early childhood educators unlike the JobKeeper Payment, which excluded one third of the early learning service providers and therefore one third of sector employees.

- Lockdowns in Vic and NSW continued to impacting attendance rates for the last half of 2021, with fluctuating child attendance rates.

### Impact on Families and Children

- Funding measure supported families and affordability by providing the gap fee waivers and increased allowable absences when children were unable to attend early learning programs.
- More families were accessing ECEC services (when not in lockdown) with the removal of the activity test, reduced CCS administrative barriers and the extension of ACCS (Financial Hardship) eligibility.

### Impact on Services

- Financial viability of services was hard to maintain, with unpredictable demand affected by changing lockdowns, working from home and health restrictions.
- Staffing: the sector is facing unprecedented staff recruitment and retention challenges. The health risks of working during a pandemic, increased workload due to staff absences and shortages, and vaccine mandates all contributed to what has now become a long term problem for the sector.
- The Rescue Package succeeded to hold up the majority of the sector when announced, but it became no longer fit for purpose as the pandemic continued.
- The inequitable outcomes of JobKeeper, and the complications with imposing a one-size-fits-all response on a sector with varying circumstances across each state, and indeed across individual service providers was problematic. JobKeeper Payment excluded one third of the ECEC providers and therefore one third of employees.
- Different funding models and levels of government working differently, meant what was available in one jurisdiction differed to another.
- Some State Health Departments funded one-off grants for ECEC operators to offset the costs of supplies, cleaning and maintenance, and a decline in enrolments. This was not consistently applied or available for all services, and higher costs were incurred by services to maintain Pandemic Health protocols.
- The changing Health recommendations across different jurisdictions and application of eligibility funding for what is classified as a COVID Hotspot made it difficult for services and families to understand, causing overwhelm and confusion. Families were often left with outstanding debt as restrictions eased but they hadn't returned.

### Impact on Workforce

- During the height of the pandemic in 2020 the ECEC sector lost many educators – particularly those in casual roles – and many simply did not return. This was a sector already experiencing a critical workforce shortage. Without educators, ECEC services were forced to reduce places due to the strict educator-child ratio. This critical problem continues to this day.
- Staff mental and physical wellbeing declined, with higher levels of stress, workload and uncertainties while being exposed to the virus.
- Border closures impacted skilled migration, residency and caused visa issues
- Education and training schedule disruptions affected newly qualified educators and ECTs coming into the sector.

### ACA's Recommendations for Government Response to Future Pandemics

During this time the importance of our sector was very much recognised, not only in terms of the positive benefits to children, particularly in supporting vulnerable children and essential workers through the peak of the crisis, but also as the bedrock of Australia's economy. It is crucial that a plan be developed in case a similar event occurs in the future, which will be fit for purpose across the sector and country, and able to be implemented rapidly to ensure that the ECEC sector can support families and the broader workforce during times of crisis.

ACA calls on the Australian Government to:

- design and introduce a flexible funding mechanism NOW, to avoid holding the entire national ECEC sector captive again under a "one size fits all" solution.
- Establish equitable funding support for services in the same situation, regardless of location in Australia.
- Create clearer health protocols and more notice before they become mandatory.