

# CHILDCARE AND ECONOMIC OPPORTUNITY FUND BILL 2022

## STATEMENT OF PUBLIC INTEREST

### **Need: Why is the policy needed based on factual evidence and stakeholder input?**

The workforce participation rate for women in New South Wales is 9 per cent lower than the participation rate of men. Women are also more likely to be employed in part time or casual work compared to men and typically earn less over their lifetimes. If women in NSW participated in the workforce at the same rate as men, our economy would have 210,000 extra workers. This would grow the NSW economy by 8% by 2061.<sup>1</sup>

The 2022-23 NSW Government Women's Opportunity Statement cited Australian Bureau of Statistics evidence data which indicates that almost half of Australian women (47.9 per cent) who are willing to work or take on more hours report that caring for children is the main reason they are unable to start a job or work more hours.<sup>2</sup> This is in comparison to 3.2 per cent of men.

NSW Treasury has also recently published a technical paper that outlines the role of childcare costs on workforce disincentive rates, where the combination of lower pay, and the withdrawal of benefits means that secondary income earners – mostly women – can take home as little as 25 cents for each additional (gross) dollar from working.<sup>3</sup> This is a significant disincentive to women considering entering the workforce or taking on more hours.

The Mitchell Institute has recently released research on issues pertaining to childcare accessibility and “childcare deserts” i.e. difficulty in suppliers responding to demand because of the structure of the industry and the short-term nature of demand.<sup>4</sup> These issues may be addressed through financial support programs targeting providers.

Early learning and child care provides the foundation for children to develop both educationally and socially in a safe environment, while supporting parents into work. The Australian Government is the main source of overall funding for child care services, primarily through fee subsidies, while state and territory governments regulate child care providers and set quality standards.

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<sup>1</sup> NSW Treasury, 2021-22 NSW Intergenerational Report, 2021, <https://www.treasury.nsw.gov.au/nsw-economy/2021-22-nsw-intergenerational-report>.

<sup>2</sup> NSW Treasury, 2022-23 Women's Opportunity Statement, 2022, <https://www.nsw.gov.au/womens-opportunity-statement>.

<sup>3</sup> NSW Treasury, TRP22-19 Women's economic opportunities in the NSW labour market and the impact of early childhood education and care, 2022, <https://www.treasury.nsw.gov.au/documents/trp22-19-womens-economic-opportunities-nsw-labour-market-and-impact-early-childhood>.

<sup>4</sup> Hurley, P, Matthews, H, and Pennicuik, S, Deserts and oases: How accessible is childcare in Australia? Mitchell Institute, Victoria University, 2022, <https://www.vu.edu.au/mitchell-institute/early-learning/childcare-deserts-oases-how-accessible-is-childcare-in-australia>.

**Objectives: What is the policy's objective couched in terms of the public interest?**

The objective of this Bill is to increase participation in NSW's workforce, particularly for women, by making childcare more affordable and accessible.

Making quality early childhood education and care (ECEC) widely available and affordable delivers a triple dividend: more women can participate in the workforce with direct and widespread economic benefit; more women can have rewarding and sustainable careers working in ECEC; and more children get the critical education catalyst that lifts schooling outcomes, social wellbeing, lifetime learning and work outcomes. The developmental and educational benefits of ECEC to children and parents who can extend their working hours are well-understood.

The legislation formalises the Childcare and Economic Opportunity Fund (the Fund) up to \$5 billion that was announced as part of the 2022-23 NSW Budget. It is intended to provide long term funding certainty and promote confidence, particularly within the childcare sector and for parents, that the Government's policy objective to significantly expand affordable quality childcare will be enduring.

**Options: What alternative policies and mechanisms were considered in advance of the bill?**

A number of options for different approaches were considered in advance of this Bill, including:

- Establishing the Fund on a non-statutory administrative basis
- Establishing the Fund in the Special Deposits Account, with:
  - the Minister for Education and Early Learning (Minister) disbursing monies from the Fund
  - the Minister disbursing monies from the Fund, having regard to recommendations from an Advisory Board
  - a statutory Board established with the legal authority to make decisions on successful applications and to disburse funding
  - a standalone legal entity with its own staff established to decide on successful applications and to disburse funding (either under Ministerial direction or completely independent).

**Analysis: What were the pros/cons and benefits/costs of each option considered?**

Establishing a statutory Board is the best legislative option that balances a level of independence for the Fund's investment decisions while remaining under Ministerial control for its strategic direction.

The strategic direction of the Fund will remain the responsibility of the Minister and this will ensure that the Fund is complementary to, and works effectively, with other early childhood education and care reforms under the Minister's portfolio, particularly the Early Years Commitment.

Including the governance mechanisms for the Board in legislation will ensure a high-level of accountability and transparency of the Fund's investment.

The benefit of the Childcare and Economic Opportunity Fund in a Special Deposit Account is primarily to provide certainty of funding to the sector with ongoing expenditure over multiple financial years for the term of the Fund. In addition, there will be a publicly transparent disbursement process with clearly delineated approval by ministerial, board and departmental officers clearly enshrined in legislation. A Special Deposit Account also enhances accountability for the performance of the Fund. There will be annual public reporting and regular evaluation requirements to support greater transparency.

**Pathway: What are the timetable and steps for the policy's rollout and who will administer it?**

The Bill establishes a Childcare and Economic Opportunity Fund Board. This will be a statutory body that is subject to the direction of the Minister of Education and Early Learning in its functions but has the legal authority to administer and approve payments from the Fund. Together with the Special Deposits Account, there will be clear, independent approval pathways for this investment that promote transparency, accountability, and fiscal responsibility.

Regular independent market monitoring reports will be commissioned, and Strategic Investment plans will be developed, to ensure the fund is flexible and responsive to the evolving needs of the childcare sector in NSW. Support will be targeted in areas with low levels of childcare accessibility and where households face the highest barriers, financial or other, to working because of childcare accessibility or costs.

The Fund is expected to open to applications at the beginning of 2023-24.

**Consultation: Were the views of affected stakeholders sought and considered in making the policy?**

The Childcare and Economic Opportunity Fund is an outcome from the NSW Government Women's Economic Opportunity Review (the Review). The Review sought public submissions in February and March 2022. The Fund was also canvassed with stakeholders prior to and following its announcement in the 2022-23 Budget.

The first stage of investment starting from the beginning of 2023-24 will be informed by industry consultation to ensure that immediate sector issues are prioritised. This will include a thorough consultation with the sector when developing program guidelines for the Fund.