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Early Years Engagement Unit
Department of Social Services
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Dear Early Years Engagement Team,

Re: The Early Years Strategy

Thank you for the opportunity to provide brief comment to the Early Years Engagement Unit regarding the Early Years Strategy.

Anglicare Australia believes that all children should be able to grow and thrive in a safe and supportive environment. Yet, one in six children across Australia live in povertyⁱ, with many of them coming from households that rely on government payments.

Growing up in poverty has long-term detrimental impacts on children's education, health, wellbeing and future. Not only are children who experience poverty at a higher risk of experiencing poverty in adulthood, they are at greater risk of family breakdown, neglect, abuse, and homelessness. They are also more likely to have poor physical and mental health, struggle in school, face social exclusion and miss out on crucial extracurricular and recreational activities. For example, the latest 2021 NAPLAN data showed that the gap in reading skills between disadvantaged year 9s and their socioeconomically advantaged peers is more than five years.ⁱⁱ

Although the statistics are alarming and the harmful impact of poverty on children's development and future prospects is well-established, policymakers have largely neglected the issue of child poverty. The solution is simple – raising the income of caregivers above the poverty line.

This approach has been shown to work more effectively than any other. As an example, increases to family assistance payments under the Hawke government resulted in a 30 percent reduction in child poverty.ⁱⁱⁱ This progress was sadly reversed under subsequent governments.

Similarly, for a short time in 2020, Australia's social security system was overhauled. JobSeeker was doubled in through the Coronavirus Supplement. Obligations for those getting the payment were lifted. The JobKeeper wage subsidy was brought in to help workers, especially casuals, stay afloat if work dried up. In changing much of the employment support and social security system, the Government openly acknowledged that existing policies were not fit-for-purpose.

Almost immediately, hundreds of thousands of people, including over 800,000 children, were lifted out of poverty, many for the first time. Child poverty rates among single-parent families fell significantly from 39 percent to 17 percent.^{iv} Research, including by Anglicare Australia, has documented the profound impact this had on poverty levels and on people's lives. Parents were able to afford fresh food, pay their bills on time, and purchase essential items that they previously couldn't, such as school supplies and clothes.

Importantly, the increased income reduced parental stress, enabling parents to be more attentive to their children.^v This highlights the relational dimension of poverty that is too often overlooked by policymakers and decision-makers.

These experiences confirm what many have always known. Child poverty isn't inevitable; it is a policy choice. Trapping millions of children in poverty weakens communities and undermines economic wellbeing for all. This submission calls for an immediate increase to social security payments to lift children and their families out of poverty, investment in social and affordable housing to address the crisis in affordable housing that is driving many people into poverty, and the removal of the activity test for childcare subsidy.

Raise incomes above the poverty line

There are many ways to raise incomes above the poverty line. A proven, effective option is to increase the rate of JobSeeker and other working wage payments, as was done in 2020-21, creating a guaranteed adequate income. According to the Parliamentary Budget Office, raising the rate of key payments to the Henderson Poverty Line would cost:

- \$128.1 billion over ten years for the JobSeeker Payment
- \$39.35 billion over ten years for the Parenting Payment
- \$30.57 billion over ten years for the Carer Payment.^{vi}

Around 1.44 million Australian adults would benefit from this change. In addition to the adult recipients, almost 840,000 children have a parent receiving one of these payments.^{vii}

These changes would cost \$198 billion over ten years, considerably less than the \$254 billion cost of the proposed Stage 3 Tax Cuts. Costings collated by Anglicare Australia and based on the Parliamentary Budget Office show that working age payments could be raised to the poverty line, lifting 2.3 million Australians out of poverty. They also show that the Government could build 36,000 social homes each year. This program would end the shortfall and provide affordable homes to hundreds of thousands of people.^{viii} Together, these measures would cost \$208 billion over ten years, well below the \$254 billion cost of the tax cuts.

Make ParentsNext voluntary

When done well, pre-employment programs that support parents to find and sustain meaningful employment can be a valuable part of the system. Unfortunately, ParentsNext is creating greater vulnerability to poverty, rather than supporting people out of it.

The ParentsNext program has two central flaws – its compulsory nature, and the possibility of participants having their payments suspended if they breach the program’s Targeted Compliance Framework. Through our Network, we have heard of Parenting Payments recipients who had their payments suspended because they are juggling parenting responsibilities on top of surviving on a payment that is below the poverty line. Many have turned to Anglicare Australia’s member agencies to help avert homelessness or to put food on the table.

Most importantly, the program design devalues the important role of parenting and fails to address the most significant barriers that parents, particularly mothers, face: a payment that is below the poverty line, lack of access to childcare to facilitate work and study, and high effective marginal tax rates that provide a disincentive to re-enter the workforce by taking on part-time paid work.

A different and more beneficial response would be to value and celebrate the care that recipients of Parenting Payment are able to provide to their children by offering unconditional and person-centred help for parents to re-enter the workforce when it suits the needs of their family. Flattening the payment’s taper rates for recipients who are able to take on part-time paid work would also go a long way towards encouraging participation in the paid workforce.

Building more social housing

Safe and secure housing is essential to the wellbeing of children. Children who experience homelessness are at risk of school disruption, food insecurity and are more likely to experience homelessness as adolescents and adults. Children in families experiencing housing stress are also at risk of adverse health and wellbeing outcomes, including in education, food quality and parental mental health.^{ix}

Yet the cost of housing is forcing many families into insecure housing or homelessness. Average rents have risen by 11 percent in the last year. Anglicare Australia's Rental Affordability Snapshot shows that a mere 0.1 percent of rentals were affordable for a single parent family on Parenting Payment. Many working people are hardly better off. Families with two parents working full-time on the minimum wage will only be able to afford 15.9 percent of rentals.^x

This means that many families are forced into homelessness or to make choices about residing in substandard housing that is either too cramped, inadequately insulated, damp, rundown, or situated in less desirable neighbourhoods to make ends meet. Poor living conditions can have negative impacts on children beyond just their physical health, such as emotional and behavioural issues, poor academic performance due to bad sleep quality and noisy environments, and limited space to play and explore.^{xi} A child's perception of safety in their community and home can also significantly impact their emotional health.^{xii}

Given the significant impact that housing has on children's lives, it is essential to ensure that all Australians have access to secure, affordable, and safe housing to improve the life chances of children and break cycles of disadvantage.

The Federal Government used to invest strongly in social housing to meet need. Yet over the last three decades, governments have withdrawn from this responsibility. Social housing stock has simply not kept pace with the growth in population,^{xiii} with demand now far outweighing supply. A recent analysis shows Australia will need an additional 500,000 social and affordable homes to meet community need.^{xiv}

We urge the Government to change its approach to housing affordability and end the social housing shortfall. In the short and medium term, while the social housing shortfall is being address, Commonwealth Rent Assistance should be increased to a level that reduces rental stress and reformed to make sure it benefits people with the lowest incomes.

Strengthen access to subsidised early learning

Access to high-quality, affordable early learning increases workforce participation. It also acts as a protective factor against developmental vulnerability for children, a safeguard against abuse and improves school readiness and learning outcomes. Improved child development in the early years is positively associated with higher employment and reduced crime in adulthood.^{vi}

Yet the activity test continues to apply to non-First Nations children from low-income households or who are developmentally vulnerable. The activity test links the hours of subsidised care to work, volunteering or study of the parent with the least hours of work. Access to subsidised care is therefore reduced to one day per week for families where one parent, usually a woman, is not working. This policy exacerbates inequality, by leaving vulnerable and low-income children, who are most likely to benefit from early learning, without access to it.^{vii}

As well as its impact on children, the activity test acts as a barrier to employment for families facing unemployment or job insecurity. It is well documented that the path to steady employment for disadvantaged job seekers is not a linear one.^{viii}

Full-time employment, part-time employment, temporary jobs, casual and insecure work, unemployment and underemployment may all be part of a family's journey, and parents may cycle in and out of employment. Under the current activity test, parents engaged in casual employment with variable hours can see their hours of subsidised care cut, making it difficult to secure more shifts or increase hours.

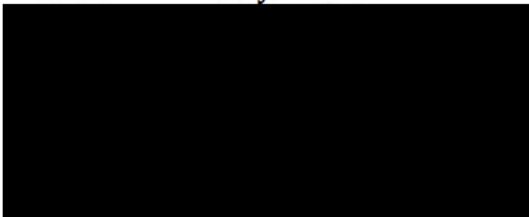
The activity test can also be a barrier to parents getting the support they need to address health or wellbeing issues that could be preventing them from securing or maintaining employment. For example, our members report that parents who are seeking support for drug and alcohol addiction often need to access between two and five days of childcare each week. This level of care allows parents to engage in drug and alcohol counselling, group work, relapse prevention and health appointments.

Furthermore, when parents can prioritise their mental health and overall wellbeing, it has a positive impact on their children's social-emotional development. According to research conducted by the Australian Institute of Family Studies, children with parents who experience moderate to high levels of psychological distress are more likely to exhibit elevated levels of emotional issues, problematic behaviour, and difficulty with peers.^{xv}

Anglicare Australia recommends the bottom two steps of the activity test should be removed, guaranteeing three days of subsidised early learning and care for every family, including where the parent with the least hours of work is engaged in fewer than 16 hours of recognised activity.

This consultation is an important opportunity to consider how we support Australia's children to thrive. If you would like to discuss anything raised in this submission, please do not hesitate to contact us on anglicare@anglicare.asn.au

Yours sincerely



ⁱ Anti-poverty week (2022) [New research confirms 1 in 6 Australian kids live in poverty.](#)

ⁱⁱ Hunter, J and Emslie, O (2021) [Mind the gap: what we should do about NAPLAN's worrying report card](#), The Sydney Morning Herald.

ⁱⁱⁱ ACOSS (2017) [A future for all children: Addressing child poverty in Australia.](#)

^{iv} Phillips, B and Narayanan, V (2021) [Financial Stress and Social Security Settings in Australia](#), ANU Centre for Social Research and Methods.

^v Klein, E, Cook, K, Maury, S and Bowey, K (2021) [Social security and time use during COVID-19.](#)

^{vi} Parliamentary Budget Office (2021) [Distributional analysis of the stage 3 tax cuts.](#)

^{vii} Australian Government (2022) [Treasury portfolio, transcript.](#)

^{viii} Anglicare Australia (2022) [A Clear Choice: Ending poverty for the cost of tax cuts.](#)

^{ix} Australian Institute of Health and Welfare (2020) [Australia's Children.](#)

^x Anglicare Australia (2023) Rental Availability Snapshot 2023

^{xi} Australian Institute of Health and Welfare (2020) [Australia's Children.](#)

^{xii} Ibid.

^{xiii} Australian Institute of Health and Welfare (2018) [Housing Assistance in Australia 2018.](#)

^{xiv} SGS Economics (2021) [Economic Impacts of Social Housing Construction.](#)

^{xv} Australian Institute of Family Studies (2020) [Children's social-emotional wellbeing.](#)