

Hon Alan Tudge MP  
Minister for Education and Youth

By Email: [alan.tudge.mp@aph.gov.au](mailto:alan.tudge.mp@aph.gov.au)

11 January 2021

## CHILD CARE SUBSIDY FOR IN HOME CARE

Dear Hon Alan Tudge MP,

The Australian Home Childcare Association represents businesses and not for profit organisations that deliver childcare services in family homes across Australia and is the peak body for In Home Care. We write to you on behalf of the sector to bring your attention to some of the challenges faced by families due to the current Child Care Subsidy hourly cap for In Home Care. We request that this submission is considered in the review that is currently being undertaken by your Department in respect of the Child Care Subsidy.

The matters addressed in this submission focus on the following areas:

1. the **current hourly cap** for In Home Care makes **out of pocket costs unaffordable** for families;
2. the **Additional Child Care Subsidy (child wellbeing)** is relied on by families in order to access In Home Care; and
3. **alternate hourly caps** are proposed for the In Home Care scheme.

### Hourly Cap

The current hourly cap for In Home Care is as follows:

- \$33.17 per family; or
- \$39.80 per family with the Additional Child Care Subsidy ('ACCS').

In a recent survey of our members the resounding feedback was that they could not support vast numbers of families because the out of pocket costs far outweighed what the family could afford. Families also report to service providers, and to the In Home Care Support Agencies, that it is often cheaper for them to hire a nanny rather than use the In Home Care scheme that was set up to support them.

We recognise that In Home Care attracts the highest hourly cap of all service types. However, what its calculation fails to recognise is the high cost of running the In Home Care model, the complex needs of families, the non-standard hours of care, and the cost of supporting families in remote locations.

### Unaffordable Out of Pocket Fees

To be approved for In Home Care, families must meet the threshold requirement that they cannot access mainstream care. This means that they should be given the opportunity to access In Home Care for roughly the same out of pocket fees as alternate mainstream childcare, given that both services are covered by the Child Care Subsidy. To do otherwise is discriminatory to an already vulnerable cohort of our community.

The current hourly cap for In Home Care, however, poses a barrier to access to many families. This is because of the high cost of placing an individual Educator into a home, which is not currently considered under the low fixed hourly cap. The table below outlines the cost of engaging an Educator, with a Certificate III qualification and two years' experience, to work as an In Home Care Educator at different times of day and days of the week.

		Level 3.3 Base Rate	Time and half - Saturday	Double- Sunday	Double time and half - PH	Weekday PM
Gross		\$24.64	\$36.96	\$49.28	\$61.60	\$27.72
Super	9.50%	\$2.34	\$3.51	\$4.68	\$5.85	\$2.63
Payroll Tax	4.95%	\$1.22	\$1.83	\$2.44	\$3.05	\$1.37
Leave	8.33%	\$2.05	\$3.08	\$4.11	\$5.13	\$2.31
First Aid Allowance	1.13%	\$0.28				
Workers Comp Ins.	2.00%	\$0.49	\$0.74	\$0.99	\$1.23	\$0.55
<b>Total Educator cost</b>	<b>25.91%</b>	<b>\$31.02</b>	<b>\$46.12</b>	<b>\$61.49</b>	<b>\$76.86</b>	<b>\$34.59</b>
<b>Hourly Cap Gap Fee</b>		<b>\$2.15</b>	<b>-\$12.95</b>	<b>-\$28.32</b>	<b>-\$43.69</b>	<b>-\$1.42</b>

You will see that the cost of delivering non-standard hours of care far exceeds the hourly cap that In Home Care is afforded. It is important to note that the above table excludes factors such as administrative staff to enter timesheets and process payments, monitoring checks, home safety checks, professional development for Educators, and educational programming and reporting. These are all requirements imposed by the In Home Care Guidelines, yet they are not considered in the cost of service delivery.

We have used case studies below that compare the cost of a family accessing long day care to In Home Care,<sup>1</sup> whilst also outlining the Educator cost for these sessions of care, compared to the income generated.

#### Lewis Family

The Lewis family comprises a single mother, Janine, and two children aged 4 and 18 months, Samuel and Caitlin. The Lewis family live on the northern beaches of Sydney. The family recently left a relationship where they were victims of domestic violence.

Janine is a nurse and during the relationship she was working only a few shifts a week and providing primary care to the children outside these hours. Since leaving the relationship Janine is trying to get more work so that she can support herself and her two children. Janine has been approved for IHC with a Child Care Subsidy ('CCS') rate of 50 per cent.

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<sup>1</sup> The calculations in the case studies consider the penalty rates that must be paid by all providers operating employment models (47 per cent of In Home Care providers). Whilst independent contractor services do not currently have to meet the National Employment Standards, there are currently proceedings on foot by the Australian Taxation Office that may force these providers to be left with no alternative but to convert to either an employment model, or to meet the standards of the Children's Services Award. For this reason, the penalty rates have been taken into account in these calculations.

Although the family may be eligible for the Additional Child Care Subsidy (child wellbeing), the mother is concerned that the father of the children could use it against her in parenting proceedings. For this reason, she does not want to access ACCS.

When Janine works a 12 hour shift, she needs care from 7.00am to 8.00pm. The table below outlines the cost comparison for Janine if she were able to use long day care, compared to In Home Care. The other factor not considered by the scheme is that shift workers often require more than 50 hours per week of approved care to access multiple care types, therefore for many of the hours that Janine requires, she would need to pay full fees.

Care Type	Long Day Care	In Home Care	In Home Care Penalty Rates
Fees	\$95.00 (Samuel) \$149.00 (Caitlin)	\$39.00 per hour x 11.5 hours (7.00am to 6.30pm) = \$448.50	\$49.00 per hour x 1.5 hours (6.30pm to 8.00pm) = \$73.50
Child Care Subsidy (after 5% withholding)	\$45.13 (48% of total fee) \$70.78 (48% of total fee)	\$101.47 (40% of total fee)	\$23.63 (32% of total fee)
Out of Pocket Fees	<b>= \$128.11 total per day</b>	<b>=\$317.18 per day</b>	

The table below outlines the running costs and profit margin for the above scenario. As noted above, the table below does not include any operational costs, but only considers the cost of the Educator attending that session of care.

	Hours	Cost
Standard Hours	8	\$248.19
Overtime hrs (150% for first 2 hours)	2	\$92.24
Overtime hrs (200% for over 2 hrs)	3	\$184.47
Total Educator Cost	13	\$524.91
<b>Fees</b>		
Standard Hours	11.5	\$448.50
Penalty Hours	1.5	\$73.50
Total Fees	13	\$522.00
<b>Profit</b>		<b>-\$2.91</b>
<b>Loss Margin</b>		<b>-1%</b>

### Cambridge Family

The Cambridge family include single mother, Laura, and baby boy Jackson, who is two and a half years old. Jackson needs to have surgery for a heart condition and will need to be cared for in his home environment for 12 weeks after the surgery is completed. Laura works full time, and her employer will not give her 12 weeks of leave to care for Jackson. She cannot afford to lose her job as she is the only financial support for her family. The Cambridge family live in Geelong, Victoria. Laura has CCS approval of 28 per cent.

Care Type	Long Day Care	In Home Care
Fees	\$92.00	\$39.00 per hour for 9 hours = \$351.00
Child Care Subsidy	\$24.47 (27% of total fee)	\$79.41 (23% of total fee)
Out of Pocket Fees	<b>\$67.53 total per day</b>	<b>\$271.59 total per day</b>
12 week recovery period	<b>\$4,051.68</b>	<b>\$16,295.40</b>

See below the breakdown of running costs and profit margin for the above scenario.

	Hours	Cost
Standard Hours	8	\$248.19
Overtime hrs	1	\$46.12
Total	9	\$294.31
Total Fees	9	\$351.00
<b>Profit</b>		<b>\$56.69</b>
<b>Gross Profit Margin</b>		<b>16%</b>

For the Cambridge family, and many others like them, it is cheaper for them to hire a nanny or an au pair rather than use the In Home Care scheme that was set up to support them. The In Home Care scheme was formalised to include educational programming that aligns with the Early Years Learning Framework. Where families engage a nanny or au pair, not only does the child miss out on early childhood education, but they are supported by an unqualified, unregulated, and inexperienced carer, and the Government often forgoes taxes and regulatory oversight, due to cash in hand and informal agreements between carers and families.

### Hourly Cap Alternatives

We outline below alternative solutions to the current hourly cap in order of preference. Each scenario is discussed in further detail below.

#### Scenario A: Mirror NDIS Funding Model

This model allows for different categories of hourly cap, according to the category for which a family is accessing In Home Care. It also allows for a scale of rates according to penalty rates and remote locations. We can support the Department with further modelling for this scenario.

Category	Hourly Cap	Pros	Cons
Penalty Rate Scale	Scale for different times of day and days of week \$39.00 - \$86.00 (comparison rate to the Children's Services Award of 220% of base rate)	Will enable hundreds of shift workers to gain access to In Home Care, who are currently sitting on long waitlists. Will assist providers in engaging Educators as they will be able to remunerate them appropriately.	More complex to implement.
Remote Scale	\$39.00 - \$54.60 (comparison rate to the NDIS remote rate of 140% of base rate)	Will enable remote families to gain access to In Home Care, who are currently sitting on long waitlists. Will assist providers in engaging Educators as they will be able to remunerate them appropriately as an incentive to move to these locations.	More complex to implement.
Complex Needs Rate	\$56.00 (comparison rate to the NDIS for complex needs care)	Will reduce the financial impact of accessing In Home Care for families who are already under significant stress. Will enable the engagement of better trained Educators, reduce risk, and improve children's outcomes.	More complex to implement.

#### Scenario B: Match the Family Day Care Hourly Cap

This model allows for the comparative maximum rate currently applied to Family Day Care to be applied to In Home Care.

Hourly Cap	Pros	Cons
\$45.20	Quick fix. Will remove most families' barrier to access.	Does not consider weekends and public holiday penalty rates for Educators. Does not consider the cost of managing service delivery in remote locations.

#### Scenario C: Increase the minimum rate to the ACCS rate

This model allows for the minimum hourly cap for In Home Care to be increased to the current hourly cap for In Home Care with ACCS.

Hourly Cap	Pros	Cons
\$39.80	Quick fix. Will remove some families' barrier to access.	Does not consider weekends and public holiday penalty rates and will not increase access for shift workers. Does not consider the cost of managing service delivery in remote locations.

#### **Scenario A: Mirror the NDIS Funding Methodology**

We understand that the model for funding of In Home Care was premised on the funding models for other forms of childcare. Unfortunately, the nature of the families that access the scheme, the hours of care they require, and the demanding work involved, means that the mainstream fee structure does not meet the needs of the scheme. We undertake a comparison to the NDIS below, as an alternate model of calculation of the In Home Care hourly cap.

### Penalty Rates

Families accessing care during non-standard hours are forced to absorb the penalty rates paid to Educators under the Children's Services Award. This means that most shift working families access services that operate independent contracting models, where Educators are forced to waive any rights to penalty rates to gain access to the work.

To ensure equitable treatment of Educators in the In Home Care sector, a varied hourly rate should be applied, similar to the one that operates under the NDIS.

### Remote Families

The NDIS also offers higher rates for support in remote locations, to cover the increased costs of overseeing and managing remote service delivery. We argue that it would be appropriate to establish a rate specifically for remote families under the In Home Care scheme similar to that which operates under the NDIS.

### Complex Needs

Many families accessing In Home Care are experiencing complex circumstances, which means that Educators performing this work must be highly experienced, possess discrete soft skills, have special needs experience, and be supported through professional supervision to minimise vicarious trauma. Many In Home Care Educators are exposed to child protection issues on a regular basis, have experienced the loss of a child or parent that they have supported, or have witnessed traumatic events. Accordingly, we are of the view that these Educators should attract remuneration higher than that which is paid to an Educator in mainstream childcare.

The increase in allocation of funding to this category will not only improve the ability to effectively meet families' needs, but it will also relieve pressure on other areas of Government, such as health, including mental health services, hospitals, child protection agencies and foster care programs.

To support the engagement of highly skilled Educators and minimise risk to children's safety, we believe there should be a higher rate afforded to complex service delivery under the In Home Care scheme as occurs within the NDIS.

### **Scenario B: Increase to Family Day Care Hourly Cap**

For the purposes of analysis, it is appropriate to consider Family Day Care as a comparative rate, for which an Educator can charge by child, rather than by family. The hourly cap for Family Day Care is \$11.30.

If a Family Day Care Educator has four children in their care, per their maximum ratios, their service could attract up to \$45.20 per hour for all four children. By contrast, if an In Home Care Educator has up to five children in their care, as authorised under the scheme, their service can only attract \$33.17 per hour for all five children.

Although we recognise that Family Day Care Educators volunteer their own home, which must meet specific requirements, the In Home Care scheme is just as costly to run, whilst also posing greater risks than Family Day Care. The administrative responsibilities for In Home Care mean that the hourly rate barely covers the running costs for service providers. As you can see from the above case studies, if providers charge only the cost of the Educator rate based on the

Award, then the scheme still doesn't cover costs. When factors such as insurance, administration, risk management, professional development and educational supervision are included the true cost becomes apparent and the services are most often making a loss.

In Home Care Educators are also working in family homes, where circumstances change day to day and unforeseen risks become apparent without notice. Educators are dealing with vulnerable families, and the risk to their own wellbeing is significant and cannot be effectively minimised by providers with the current hourly cap.

If the hourly cap were adjusted to come into line with the Family Day Care hourly cap it would ensure that families could be supported more effectively, Educators appropriately remunerated, and operators could switch to an employment model if they so wished, rather than being forced to operate independent contracting models to support the needs of families. Although 53 per cent of In Home Care providers currently operate independent contractor arrangements, we are of the view that they may be forced to convert to employment models due to proceedings currently underway by the Australian Taxation Office. Many of those providers have informed us that they would not be able to afford to operate their service if they had to switch to an employment model, leaving hundreds of families across Australia without vital care.

### **Scenario C: Increase to Additional Child Care Subsidy Hourly Cap**

As outlined in the four week review of the Early Childhood Education and Care Relief Package ('ECEC Review'), 18.7 per cent of families accessing In Home Care are approved for ACCS, by comparison to the overall sector rate of 0.82 per cent. This figure demonstrates that by its nature, In Home Care supports a large proportion of families who are considered vulnerable and at risk.

The high utilisation of ACCS within the In Home Care sector means that, not only are families in desperate need of care, but the Educators are also performing more challenging and demanding work. We are of the view that an increase to the hourly cap will release pressure on already vulnerable families to regularly gather evidence to maintain ACCS, and will result in less families accessing ACCS.

As outlined in the Cambridge family case study, if they accessed ACCS, they could afford In Home Care. However, we argue that families should not be forced to rely upon ACCS to access a scheme for which they are eligible. Their mere eligibility should, in and of itself, allow them to access the scheme for an out of pocket rate that is comparable to their alternate mainstream childcare option.

As an option, increasing the current hourly cap to the current ACCS hourly cap would reduce the barrier to entry for some families, but it would not address the broader issue of penalty rates, the long waitlists for shiftworking families or the cost of service delivery in remote locations. For this reason this is our least favoured option, but we recognise it is potentially a quick option for the Department to implement.

### **Value of In Home Care**

At the end of the free childcare package, Minister Tehan made it very clear that he saw the In Home Care scheme as a vital component of the Child Care sector in Australia. The ECEC Review also confirmed the importance of In Home Care by recommending the increased allocation to our service type during the pandemic.

By its nature, In Home Care supports families who have no alternative option for childcare. These are vulnerable families; essential workers such as nurses, police officers and fire fighters; families on remote properties contributing to Australia's farming and export economies; and most importantly, they are children who, without In Home Care, would have no access to early childhood education and quality, regulated care.

Any increase to the hourly cap will not have significant budgetary implications as it is a capped scheme, with minimum thresholds for access, that are tightly guarded by the In Home Care Support Agencies. As a very small part of the wider child care sector, additional funding of the In Home Care scheme will result in great impacts for families with low cost to the Government.

We ask that you act to increase the hourly cap to In Home Care without delay, to ensure that families are supported to return to the workforce, to support service providers to engage Educators to provide care, which, in turn, contributes to Australia's economic recovery.

If you require any further information or wish to discuss any of the above, please do not hesitate to contact me on 0419 400 040.

Kind regards,



**Andrea Christie-David**  
President

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