

# Welfare Overhaul Work Program



New Zealand Council Of  
Christian Social Services

## Review of Childcare Assistance, October 2022

Contact Name:	Nikki Hurst Melanie Wilson Hamish Jarvie Rachel Mackay
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Ko wai au   Who we are:	<p>The New Zealand Council of Christian Social Services (NZCCSS) welcomes the opportunity to provide feedback on the Review of Childcare Assistance, as part of the Welfare Overhaul Work Program.</p> <p>NZCCSS has six foundation members; the Anglican Care Network, Baptist Churches of New Zealand, Catholic Social Services, Presbyterian Support and the Methodist and Salvation Army Churches.</p> <p>Through this membership, NZCCSS represents over 250 organisations providing a range of social support services across Aotearoa. We believe in working to achieve a just and compassionate society for all, through our commitment to our faith and Te Tiriti o Waitangi. Further details on NZCCSS can be found on our website <a href="http://www.nzccss.org.nz">www.nzccss.org.nz</a>.</p>

### Tirohanga Whānui | Overview

We support the kaupapa to review Childcare Assistance with a view to make the system easier to access and more supportive of whānau.

As we have previously iterated during this welfare overhaul work program, we strongly support the replacement of this piecemeal and administration heavy welfare system with more streamlined, standardised, child-centred payments. Our preference is for a return to a universal family payment in order to mitigate the current administrative cost that tends towards the punitive.

In absence of this significant overhaul, we strongly support the increase in subsidy rates and abatement thresholds, as well as welcoming the concept of forward-projected bulk assessments of eligibility. Changes with an intention to reduce administrative burden and debt are always welcomed as lenses to assess reform, and we tautoko these being specified in the context of this work.

Our main points are:

**Eliminating the complexity of the system as a whole would relieve the administrative burden associated with childcare and reduce the likelihood of debt generation**

Replacing our bit-part welfare system with a holistic, child-centred payment would remove many of the frustrations associated with obtaining assistance and ensure adequate support for all whānau.

**Abatement rates and subsidy amounts must be updated to reflect the strain childcare costs place on families who engage with childcare.**

Managing the burden of childcare on whānau is intrinsic to facilitating active participation in the labour market for parents, especially in the midst of the rising cost of living.

**Ensure that child wellbeing and parenting choices are allowed for and supported in the context of subsidy.**

Realign payment cut offs for ECE subsidy to match Ministry of Education expectations that children start school by the age of 6, not at the age of five, to allow the scope of social-emotional learning that can occur in this period to ensure school-readiness.

**Make surety of payment levels and consistency of support a central factor for whānau.**

When childcare is a core cost of many whānau, ensuring that subsidy levels are consistent and reliable for whānau is critical.

## Taunakitanga | Recommendations

We raise the following points and recommendations for consideration:

**Item One - Eliminating the complexity of the system as a whole would relieve the administrative burden associated with childcare and reduce the likelihood of debt generation.**

As iterated in our previous submissions in this welfare overhaul workstream, we strongly believe that a significant reduction in complexity of this system would benefit both clients and welfare workforce. Elimination of the mix-and-match, piecemeal approach to whānau support in favour of a universally applicable, child-centred payment (in the vein of the 1946 Universal Family Benefit) would meet these needs with the near-elimination of both administrative burden and possibility of debt generation.

**Recommendation Proposal 1:** We strongly suggest that changes to whānau benefits are readdressed in terms of holistic, universal, child-centred payments.

**Item Two - Abatement rates and subsidy amounts must be updated to reflect the strain childcare costs place on families who engage with childcare.**

Childcare is intrinsic infrastructure to parents and caregivers being able to engage in employment. As surely as a parent / caregiver needs roads to reach their workplace and electricity to use the equipment there, they need childcare in order to have the time resource available to perform work. Childcare has, however, become largely provided by for-profit organisations that add to the financial burden of the whānau that they were originally created to support.

Just as the cost of living is making the weekly visit to the grocery store increasingly burdensome, childcare rates are increasing across the country, with a random sample of fee structures across the nation for full time care hours yielding an average of \$264 per child. At the maximum subsidy currently available (\$5.69/hr) these fees would be fully covered by the subsidy – however a household with only one adult earning full time minimum wage income still exceeds the maximum weekly income threshold to access this full subsidy. This hypothetical whānau would receive \$848 gross income, \$10 more per week than the abatement threshold for the maximum threshold. In a living wage household, only families with 3 or more children would be eligible for any amount of subsidy, and at the average household income for whānau in Aotearoa, no number of children would result in subsidy eligibility.

The average New Zealand family receives no support for both adults to engage with the workforce, which has been consistently reiterated as the goal of welfare supports. It is well documented that this is overwhelmingly a women's issue, as the discussion around return to workforce is normally calculated on the mother's wage, and where the payoff is not seen to be in the family's favour it is her career and future earning potential that is sacrificed in order to meet the current financial needs of the family unit.

Both the abatement rates and total subsidy amounts of subsidy for childcare must be addressed to relieve the burden of childcare for families in order to ensure that the infrastructure for workplace engagement is supported.

**Recommendation Proposal 2:** We suggest a review of subsidy amounts and abatement thresholds to bring them into line with current cost-of-living burdens on whānau and treat childcare supports as an infrastructure investment to enable engagement with employment.

### **Item Three - Ensure that child wellbeing and parenting choices are allowed for and supported in the context of subsidy.**

According to Section 35 of the Education and Training Act 2020, domestic students must be enrolled at a registered school "during the period beginning on the student's sixth birthday". That is, children in Aotearoa must be at school **by** their sixth birthday, not **on** their fifth birthday. Parents / Caregivers choose the timing of their child's entry into formal schooling based on a number of factors, including their social and emotional wellbeing.

Currently, according to the requirements listed by MSD, a child must be "under 5, or over 5 if they're going to a cohort entry school" in order to be eligible for childcare subsidy funding. For many families, this loss of support for a period of up to a year would force them into making educational decisions that are not in their specific child's best interest. This is clear evidence of the system not being child-centred, where all things in relation to educational choices and whānau support must be in order to function appropriately.

The 20 hours of free funding for over 3-year-olds provided by the Ministry of Education does persist in a childcare setting up to the age of 6 – showing that from an educational perspective it is acceptable and supported to remain in a childcare setting until the age of 6. Removing financial support from low-income families in an area supported by the primary Ministry seems punitive and cost-focused instead of child-focused.

**Recommendation Proposal 3:** We suggest ensuring that the subsidy eligibility requirements are extended until the child is legally required to be at school instead of a childcare setting.

**Item Four - Make surety of payment levels and consistency of support a central factor for whānau.**

We strongly support the proposal for bulk assessment in order to decrease the administrative burden on whānau with children in childcare. Whānau and childcare centres are currently forced to spend a great deal of time and energy ensuring eligibility parameters are continuously met and details updated with MSD in order to obtain correct entitlements and avoid debt. With a six-month period of subsidy certainty, childcare centres can get on with the business of caring for children, and whānau can get on with the business of engaging with employment.

Low-income families, as noted in the consultation notes, are more likely to experience variable income and irregular hours, so the burden of administration is already most heavy on individuals existing within financial strain. The looming threat of debt to MSD via childcare subsidy if they incorrectly report work hours is one more stress that this proposed bulk-assessment system can effectively relieve.

We especially agree with a non-punitive approach to eligibility variability during this assessment period, whereby even if a family's eligibility decreases during the pre-assessed period, they can be assured that their support will be maintained until their next assessment. While in some cases this will be as a result of wage increases or additional permanent hours, other cases may be of complete loss of income, where maintaining childcare is critical for the capacity to search for and interview for new roles. We would like to see this manner of non-punitive, future-focused bulk assessment applied to other areas of welfare to increase the consistency and certainty of support for a family for periods longer than one week.

In addition, the workload relief for MSD kaimahi who can focus on client-centred support instead of constant paperwork regarding week-to-week variabilities in childcare attendance will benefit both staff and clients.

**Recommendation Proposal 4:** We support implementation of the six-month bulk assessment for eligibility for subsidy, with particular support for the non-punitive preassessment model.