



## Productivity Commission Inquiry into Child Care and Early Childhood Learning

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## INTRODUCTION

### *SUBMISSION OF THE SHOP DISTRIBUTIVE & ALLIED EMPLOYEES ASSOCIATION*

1. The Shop, Distributive and Allied Employees' Association (SDA) is one of Australia's largest trade unions with over 213,000 members. Its principal membership coverage is the retail industry. It also has members in warehousing and distribution, fast food, petrol stations, pharmacy, hairdressing, beauty and the modelling industries.
2. The SDA is a leading union in advocating for flexible, family-friendly working conditions for all employees, recognising that family and caring responsibilities are shared between family members, including young people.
3. Approximately 60% of SDA members are women. The SDA represents and advocates the rights and needs of working women to increase and promote their participation in the labour force, recognising the mutually productive benefits that flexible work arrangements provide.
4. The SDA welcomes this opportunity to respond to the Productivity Commission's Inquiry into Childcare and Early Childhood Learning.
5. The SDA notes that the Scope of the Inquiry in the Terms of Reference (ToR) is for the Productivity Commission to: "to use evidence from Australia and overseas to report on and make recommendations about the following:
6. The SDA also notes the invitation by the Productivity Commission to comment on other issues which participants consider relevant to the Inquiry's ToR.
7. Directly relevant to the Inquiry's ToR is *Investing in the Early Years – A National Early Childhood Development Strategy*, developed by the Council of Australian Governments 'to ensure that by 2020 all children have the best start in life to create a better future for themselves and for the nation' (COAG, 2009).
8. The Strategy aims to reform the myriad of early childhood initiatives through a process of consolidation and quality control measures, in an attempt to better reach the most marginalised and vulnerable children. It advocates for an integrated service model which enables people to access universal, targeted and intensive early childhood education and care (ECEC) support as and when needed.
9. The following national reforms and initiatives to improve early childhood outcomes<sup>1</sup> have also been instituted under the COAG strategy:
  - *National Partnership Agreement on Early Childhood Education*
  - *National Partnership Agreement on Indigenous Early Childhood Development*
  - *Six-year National Partnership Agreement on Preventive Health*

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<sup>1</sup> Department of Education, Employment and Workplace Relations and Council of Australian Governments (2009). *National Early Childhood Development Strategy – Investing in the Early Years*. Retrieved from [http://www.coag.gov.au/sites/default/files/national\\_ECD\\_strategy.pdf](http://www.coag.gov.au/sites/default/files/national_ECD_strategy.pdf)

- *National quality agenda for early childhood education and care*
  - *National workforce initiatives to improve the quality and supply of the early childhood education and care workforce*
  - *The Closing the Gap initiative*
  - *National Framework for Protecting Australia’s Children*
  - *The Melbourne Declaration on Educational Goals for Young Australians*
  - *National Family Support Program*
  - *Paid parental leave arrangements*
  - *National Plan to Reduce Violence against Women and Children*
  - *Development of an Early Intervention and Prevention Framework under the National Disability Agreement*
  - *National Partnership Agreement on Homelessness*
10. The SDA also notes the current Australian Human Rights Commission’s National Review of Pregnancy Discrimination at Work and Return to Work after Parental Leave as relevant to this Inquiry. The SDA will provide the Commission with a copy of its submission to that Review and urges the Commission to consider this and other submissions as part of this Inquiry, to inform its consideration about ways to support workforce participation of employees with family responsibilities, as well as ways to protect and promote mother and child prenatal health in the workplace.
11. The need for family-friendly workplaces and flexible work arrangements must be given appropriate consideration in this Inquiry, particularly with around 40% of the Australian workforce<sup>2</sup> (and many SDA members) engaged in insecure and non-standard work arrangements which impact significantly on both childcare responsibilities and options. Additionally, the importance of mother and child prenatal health cannot be underestimated when considering issues of early childhood education and care; there is significant evidence linking the health of the mother and child during pregnancy with long-term outcomes in health and development.
12. Finally, the SDA notes with concern that the Issues Paper states that recommendations for future options will be made ‘within current funding parameters’, and that ‘any expenditure on these [ECEC] services means that potential net benefits for the community from alternative programs must necessarily, at least to some extent, be forgone.’
13. While the Australian Government may be the largest funder of the sector, it is also true that Australia has traditionally spent less on children in early childhood than those of school age<sup>3</sup>. There is overwhelming evidence<sup>4</sup> about the social and economic benefits of investing in early childhood care and learning, including early intervention, particularly when measured against

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<sup>2</sup> Brian Howe (Chair), Independent Inquiry into Insecure Work in Australia, *Lives on Hold: Unlocking the Potential of Australia’s Work Force* (2012).

<sup>3</sup> OECD, 2009; cited in Moore, T.G. and McDonald, M. (2013) *Acting Early, Changing Lives: How prevention and early action saves money and improves wellbeing*. Prepared for the Benevolent Society. Parkville, Victoria: Centre for Community Child Health at The Murdoch Children’s Research Institute and The Royal Children’s Hospital.

<sup>4</sup> *Ibid*, pp.17-20.

the more costly and less effective interventions<sup>5</sup> needed to remedy health, social, behavioural or educational issues which arise later in life but can be traced to adverse experiences during early childhood development.

14. The notion that potential net benefits for the community from alternative programs must *necessarily* be foregone in order to maintain expenditure on ECEC services undermines the evidence, policy developments and national strategy towards a holistic approach to early childhood development, care and learning.
15. The SDA urges the Productivity Commission not to constrain its recommendations for future options based on current funding or at the expense of alternative but complementary programs and services.
16. In considering the contribution that affordable, high quality child care can make to increasing workforce participation and optimising children's learning and development, as well as the current and future need for child care in Australia, the SDA urges the Productivity Commission to consider and make recommendations both in conjunction with the National Early Childhood Development strategy as well as the broader social, economic and policy contexts which influence and impact on early childhood education and care.

#### **Summary of key recommendations**

17. **The following section outlines the key recommendations in the SDA's submission. Subsequent sections deal with these recommendations in more detail.**
  - **In the provision of ECEC, the first priority must be the best interests of the child. This includes understanding the importance of the early years and the provision of safe and secure home, care and learning environments. As such, ECEC cannot be separated from other issues relating to government policy concerning families and children.**
  - **Government must consider ways to make choices about early childhood education and care more accessible and affordable for more parents, particularly those experiencing economic difficulties. This includes the provision and/or protection of sufficient income for families to live with dignity, flexibility in provision of funding, concessions and child care services, and holistic approaches to safe work practices for pregnant workers and family friendly working conditions.**
  - **The level of financial support provided by governments for early childhood care and education should be income related, to ameliorate the increasing financial gap between low and high income families, to make ECEC more affordable and accessible, and to provide specialised and targeted ECEC to families in most need.**
  - **It is the Federal Government's responsibility to ensure formal early child education and care services deliver quality outcomes for children.**
  - **The provision of early childhood education and care must be properly planned and adequately resourced.**

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<sup>5</sup> Ibid 3, citing Cunha et al., 2006; Cunha & Heckman, 2006; Field, 2010; Access Economics, 2009; Allen, 2011; Powell, 2010.

## Recommendation 1: The best interest of the child is the first priority.

18. In the provision of early childhood education and care, the first priority must be the best interests of the child. This includes understanding the importance of the early years and the provision of safe and secure environments (home, care and learning) and as such, cannot be separated from other issues relating to government policy concerning families and children.
19. There is an established and growing body of research into the critical role and nature of the early years (pre-natal to five years of age) in laying the basic foundations for development. During this period, there is 'rapid and dramatic development [where] a number of sensory, motor, learning, mental health, physical health and social capabilities and competencies develop.'<sup>6</sup>
20. Early childhood education and care forms a significant but by no means exclusive part of this development. The roles and relationships of the family, as well as the availability of and access to quality maternal, child and family health and parental support services, are recognised by child development and health professionals worldwide as the critical environmental factors (ecology) which, together with the child's genetic dispositions (biology), shape children's development.<sup>7</sup>
21. Environmental factors include the nature and quality of children's attachments and relationships with parents and carers; the care and safety provided by families; the nature and quality of relationships *between* parents and the nature and quality of the social and physical environments where children spend their time<sup>8</sup>, whether at home or in community / formal care settings. The quality of the relationship and attachment between children and their primary caregiver bears a particularly critical influence on children's development.
22. Conversely, the absence of these protective environmental factors and the presence of direct adverse experiences during the early years can significantly compromise children's health, development and wellbeing well into their future. Research has identified links between early experiences of 'sustained poverty, recurrent abuse, parental alcohol or drug abuse, incarceration of a family or household member, parental depression, mental illness or suicidality, family violence and neglect'<sup>9</sup>, and life-long negative consequences
23. The impacts of these adverse experiences extend to mother and child prenatal health. Experiences of poverty, mental health problems, substance use and poor health and nutrition during pregnancy can influence an infant's long-term outcomes, with evidence pointing to a

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<sup>6</sup> Ibid 3, p.11. citing the Centre on the Developing Child, 2010, Shonkoff, 2012; Hertzman & Wiens, 1996; McCain & Mustard, 1999. Department of Education, Employment and Workplace Relations and Council of Australian Governments. (2009). *Belonging, Being and Becoming: The Early Years Learning Framework for Australia*. Retrieved from [http://www.deewr.gov.au/Earlychildhood/Policy\\_Agenda/Quality/Documents/Final%20EYLF%20Framework%20Report%20-%20WEB.pdf](http://www.deewr.gov.au/Earlychildhood/Policy_Agenda/Quality/Documents/Final%20EYLF%20Framework%20Report%20-%20WEB.pdf); Department of Education, Employment and Workplace Relations and Council of Australian Governments (2009). *National Early Childhood Development Strategy – Investing in the Early Years*. Retrieved from [http://www.coag.gov.au/sites/default/files/national\\_ECD\\_strategy.pdf](http://www.coag.gov.au/sites/default/files/national_ECD_strategy.pdf)

<sup>7</sup> Ibid 3, p.11, citing Shonkoff et al., 2012.

<sup>8</sup> Ibid 3, p.12, citing Gerhardt, 2004; Reis et al., 2000; Shonkoff & Phillips, 2000; Durlak, 1998; Ranson & Urchuk, 2008; Lamb, 2012; Feinstein & Bynner, 2004; Lewis, 1997, 2005; Lewis & Mayes, 2012; Macmillan et al., 2004, van IJzendoorn & Juffer, 2006).

<sup>9</sup> Ibid 3, pp. 12-13, citing Centre on the Developing Child at Harvard University, 2010; Field, 2010; National Scientific Council on the Developing Child, 2007; Shonkoff & Phillips, 2000; Shonkoff et al., 2009.

link between poor growth in utero and ‘subsequent health problems such as heart disease and hypertension, and low birth weight [increasing] the risk of developing conditions such as obesity and diabetes in the child’s later years.<sup>10</sup>

24. Early childhood education and care which has the best interests of the child at its centre plays a critical role both in addressing this complex range of protective and adverse factors, and in being a protective factor in its own right.
25. While research has found that the mother’s educational status and the quality of the home learning environment (stimulating, resource-rich, play-based) are the strongest predictors of children’s positive academic, social and behavioural outcomes<sup>11</sup>, the quality of a child’s learning environment in formal settings also has a significant impact on their development.
26. In the formal ECEC context, quality is linked to higher staff qualifications, lower child-to-staff ratios, stimulating play-based learning and positive relationships between children and carers/educators.
27. It must nevertheless be acknowledged that while quality early childhood education and care experiences play a critical role in children’s development, there is some debate about the age at which children should begin formal ECEC. The OECD Report, “The Child Care Transition”, questioned the use of child care for children under 12 months, saying that child care which is too early and too long can be damaging, “The younger the child and the longer the hours the greater the risk.”
28. Early childhood expert Elspeth McInnes says that ‘in some instances and for some children, the long term effects may include depression, withdrawal, inability to concentrate and other forms of mental ill-health...Australia is hampered because we treat childcare as a labour market device to allow parents to work rather than encouraging it to be a quality experience for children in its own right.<sup>12</sup>
29. From the above discussion and research, it is clear that while quality child care can be a productive experience for children, a balance needs to be maintained in order to promote the best interests of the child.
30. The best interests of the child are also affected by other policies and practices which directly and indirectly influence parental choices about childcare, as well as the financial pressures facing many families. These issues are explored in more detail below.

**Recommendation 2: Government must consider and implement measures to give families more realistic and accessible choices for ECEC**

31. Government must consider ways to make choices about ECEC more realistic for more parents, particularly those facing increasing financial pressure and economic difficulty.

<sup>10</sup> Ibid 3, p.11, citing Guyer., 2009; Hertzman & Wiens, 1996; Shonkoff., 2010; Centre on the Developing Child, 2010; Massin et al., 2001; Shankaran et al., 2006..

<sup>11</sup> Department of Education, Employment and Workplace Relations and Council of Australian Governments (2009). *National Early Childhood Development Strategy – Investing in the Early Years*. Retrieved from [http://www.coag.gov.au/sites/default/files/national\\_ECD\\_strategy.pdf](http://www.coag.gov.au/sites/default/files/national_ECD_strategy.pdf)

<sup>12</sup> The Australian, 12/12/2008

32. This includes flexibility in the provision of funding, concessions and child care services, the protection and provision of sufficient wages and income support, and also the expansion of holistic approaches to family friendly working conditions and safe work practices for pregnant employees.

### ***Economic difficulties facing families***

33. A considerable number of families face substantial economic difficulties which can be exacerbated by the financial and social pressures of having and raising children. According to the National Centre for Social and Economic Modelling, the typical Australian family in 2007 would have paid \$537,000 to raise a child from birth to age 21 years.<sup>13</sup>
34. The costs of children increase with their age and are also related to the overall family income and the attendant lifestyle of the family.
35. The Australian Institute of Family Studies found that having one child reduced a woman's average lifetime income by \$162,000.<sup>14</sup>
36. A large number of Australian families are living below, or close to, the poverty line. The Australian Research Alliance for Children and Youth (ARACY) reported in 2013 that '17% of Australian children (aged 0-15 years) are living in households that receive less than 50% of the median income while 26% live in households that receive less than 60% of the median income.'<sup>15</sup>
37. Additionally, ARACY reported that the proportion of children living in jobless households is increasing<sup>16</sup>, with Australia having the fourth highest proportion of children living in jobless families among OECD countries.<sup>17</sup>
38. Families with children are more likely to be living in poverty than those without children. The larger the family the more likely it is to be facing financial hardship. Those with three or more children are twice as likely as those with one child to be living in poverty.
39. A much larger proportion of families with children are living on incomes that are only 10% higher than the relevant Henderson Poverty Line (HPL), suggesting that a more substantial proportion of families are at risk of poverty. Henderson regarded those with incomes of less than 20% above the HPL as 'poor'.
40. Poverty places families under enormous strains. The absence of adequate disposable income means that families may not be able to meet the basic needs of their members. In turn this may well lead to social isolation, feelings of lack of control, low status and low self esteem.
41. As discussed above, there are long-term consequences of sustained poverty on early childhood development. NATSEM suggests that children born into socio-economically disadvantaged families often start with below average birth weight; are likely to be less well nourished; do less well in school; are more prone to sickness - with inadequate emphasis on

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<sup>13</sup> AMP – NATSEM - AMP Income and Wealth Report, Issue 18, Anne Harding, NATSEM, December 2007.

<sup>14</sup> *NATSEM-Personal Investor Magazine*.

<sup>15</sup> *Ibid* 3, citing ARACY, 2013a, p.11

<sup>16</sup> *Ibid* 3, citing ARACY, 2013a, p.8.

<sup>17</sup> *Ibid* 3, citing Australian Social Inclusion Board, 2012, p.8.

prevention; and are more likely to become overweight and do less exercise than other children. "Such children often start their lives with below average health, experience earlier onset of conditions and progression to more severe stages and, on average, die earlier than the rest of the population."<sup>18</sup>

42. Families or individuals in poverty are inimical to the development of a socially cohesive nation. Growth in poverty has a deleterious impact upon families and the individuals therein. It leads to problems in areas such as crime and community safety, educational achievements and health. Apart from the direct impact on the people affected, crime impacts upon the rest of the community with greater risks of personal danger, increased insurance premiums and greater costs in maintaining community and personal security.
43. For many SDA members, extended trading hours, decreasing permanency of employment and increasing financial pressures means they often have limited choice about working arrangements, particularly in regards to evening and weekend work. In 2012, the SDA commissioned four independent experts to review international and national data about the consequences of working on weekday evenings and weekends. Those reports are attached to this submission at Appendices One to Five.
44. The expert evidence, in summary, found that work performed on weekday evenings and weekends has adverse consequences and disadvantages on employees, their families and the wider community.
45. Of further and particular relevance to this Inquiry, the report by Professor Strazdins also found that fewer resources due to socioeconomic positions are a factor that may exacerbate negative associations between children's health and work on weekends, evenings and or nights.
46. Professor Strazdins found that those resources include income; and that one way to support families when parents work non-standard times, and to avert possible health impacts, is to increase family resources, including income.
47. The SDA's recommendations about increasing income through greater financial support from governments are explored in more detail below.

### **Recommendation 3: Child care must be accessible and affordable to all families**

48. While more than 700,000 families utilise formal child care<sup>19</sup>, its high cost and limited supply in practice limits its availability.
49. The COAG Reform Council's recent Report to the Council of Australian Governments found that in 2011, cost was the reason one in four children did not access formal childcare or preschool.<sup>20</sup>
50. Most parents who access formal child care tend to limit their usage of it. Of all children receiving formal care, most attend for about 2 days per week. Only a relatively small number

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<sup>18</sup> AMP-NATSEM Income and Wealth Report "Health and Income in Australia", Agnes Walker, Simon Kelly, Anne Harding, Annie Abello, April 2003

<sup>19</sup> Department of Education, Employment and Workplace Relations (2013). *Child Care in Australia*. P.14

<sup>20</sup> COAG Reform Council (2013). Report to the Council of Australian Governments. *Tracking Equity: Comparing Outcomes for women and girls across Australia*. P.33

utilize it for 35 hours or more in a week and very few utilize it for 45 hours or more each week. There are clearly a range of reasons for this.

51. There is a clear relationship between the age of children and whether they are in any sort of formal child care arrangement at all. The use of formal child care for very young children is low, with only a small minority of children less than one year of age receiving such care.
52. It is therefore not surprising that many parents, especially those with very young children, choose to not use formal child care at all, or to use it on a limited basis.
53. While many parents generally prefer to care for their own children where practical and possible, in reality many parents cannot exercise such choice because the financial pressures upon them are such that they need to be engaged in the paid workforce.
54. Many families have both parents in the paid workforce for the simple reason that they need two incomes to make ends meet. Many single parents have little option but to seek paid employment. For most families there is no effective choice.
55. Conversely, there are also a significant proportion of Australian women who are not participating in the workforce because they cannot afford the costs of childcare, or it does not meet their needs.
56. The Australian Institute of Family Studies reported that “more than one third of Australian mothers with children under 15 are not in paid employment because they are caring for children”<sup>21</sup>, while the COAG Reform Council reported that ‘affordable child care can impact on their [mothers’] decision to return to the workforce.’<sup>22</sup>
57. The government has an obligation to ensure that all parents can access quality formal child care where and when they need or desire.

### ***Flexibility and holistic approaches***

58. The SDA believes there are a number of cost-effective policy and practice changes, as well as more flexible and holistic approaches to family-friendly work arrangements, which should be considered to give parents a greater capacity to make more effective and realistic workforce choices.
59. Consideration should be given to the payment of a Home Child Care Allowance.
60. In the first instance child care payments should go to the parent. The parent may then elect whether the payment is made directly to the centre; this should be the parent’s choice.
61. Over two thirds (68%) of respondents to a FACS Family Tax Benefit and Child Care Benefit Survey indicated that they would prefer their Child Care Benefit paid directly to the provider, 6 per cent preferred to receive it as a claim at the end of the tax year, 21 per cent as reimbursements on receipts provided and 5% were unsure.
62. In the survey, preference for regular fortnightly payments to the provider was related to income levels, with higher income earners preferring tax system delivery of the payment, and lower income earners desiring regular provider-linked payments.

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<sup>21</sup> Australian Institute of family Studies, Media Release, 20 November, 2013

<sup>22</sup> Ibid 20, p.27.

63. Increased financial support to parents, including an expansion of paid parental leave, must be considered. There must also be a requirement of workplaces to provide greater support to parents via the adoption and/or expansion of family friendly workplace policies.
64. The introduction of paid parental leave was a significant, albeit long overdue, change in support for Australian families. However, the SDA believes that paid parental leave should be extended to 26 weeks, to better support the primary caregiver relationship and promote the World Health Organisation and UNICEF joint recommendation that mothers should be supported in initiating and sustaining exclusive breastfeeding for a minimum of six months.<sup>23</sup>
65. The SDA also continues to advocate for the extension of family friendly workplace entitlements and policies, including the right to request flexible work arrangements and to have these reasonably considered and understood by employers. The SDA also lobbies for employees to have the ability to appeal unreasonable refusals by employers of such requests. Without the ability for employees to do this, the right to request flexible work arrangements is practically meaningless.
66. The SDA believes there is an ongoing need to educate employers about the particular importance of early childhood education and care, and how family-friendly workplace policies can 'foster the development of secure attachments between parents or carers and young children [and] help mitigate risk factors significantly.'<sup>24</sup>
67. Family-friendly workplaces can also deliver significant benefits to employers, through the recruitment and retention of skilled staff and subsequent decrease in staff turnover and/or absenteeism, as well as improved productivity through increases in employee satisfaction and wellbeing.
68. The importance of safe work practices for pregnant workers, and the introduction of anti-bullying measures, also form critical parts of a holistic and integrated response for family-friendly workplaces.

#### **Recommendation 4: The level of financial support for ECEC should be income-tested**

69. The level of financial support provided by governments for child care and early learning should be income related, to ameliorate the financial gap between low and high income families, to make ECEC more affordable and accessible, and to provide specialised and targeted ECEC to families in most need.
70. The central theme of any coherent government approach to supporting families must be to ensure that all families have sufficient income, and where necessary, financial support to enable them to live decently and with dignity. The provision of income support to families should be seen by the government and the community as a long term investment in the future of the nation.
71. *"Social security is very important for the well-being of workers, their families and the entire community. It is a basic right and a fundamental means for creating social cohesion, thereby helping to ensure social peace and social inclusion. It is an indispensable part of government*

<sup>23</sup> World Health Organisation and UNICEF (2003), Global Strategy for Infant and Young Child Feeding,. Retrieved from [http://www.who.int/nutrition/topics/global\\_strategy/en/](http://www.who.int/nutrition/topics/global_strategy/en/)

<sup>24</sup> Ibid 11, p.9.

*social policy and an important tool to prevent and alleviate poverty. It can, through national solidarity and fair burden sharing, contribute to human dignity, equity and social justice."*<sup>25</sup>

72. Income support payments from government often make the difference between whether low income families can enjoy a basic but reasonable standard of living or otherwise.
73. Government payments have helped many low income families escape poverty. Nevertheless, as discussed above, there are still large numbers of Australians, many of them children, living below the poverty line.
74. Maintenance and improvement in our family payments and support structures is critical if large numbers of families are not to fall back into poverty and if those below the poverty line are to be given a better chance at a reasonable standard of living.
75. Low income families are very reliant upon adequate government payments to make ends meet.<sup>26</sup> Without these payments, many more families would be in poverty and many low income working families would be better off relying totally on social security. Public education and health services also play a hugely important role in income redistribution.
76. For SDA members and their families, an effective social welfare or social security system is critical.
77. It was recently confirmed by a Full Bench of the Fair Work Commission that workers in the retail and fast food industry, a significant number of whom are SDA members, are low-paid in comparison to other industries:

**[212]** *We are satisfied that a high proportion of employees in the accommodation and food services and retail industries are low paid. The evidence before us establishes that:*

- *the incidence of award reliance amongst employees covered by the awards before us is higher than for employees generally, particularly so in relation to the accommodation and food services industries; and*
- *actual incomes for full-time adults within the relevant industries are at the level of around 70% of average earnings, with employees relatively low paid by comparison to employees generally. This is more pronounced in relation to employees reliant on minimum award wages and occurs notwithstanding the relatively high incidence of work on weekends of employees in the accommodation and food services and retail industries.*<sup>27</sup>

78. Within this context of overall government support for families and children, the provision of quality, affordable child care is a critical issue.
79. In the provision of child care payments, along with other family payments, there must be recognition that Australia is a low tax country. IBISWorld has suggested that the deficits under the Labor government "were not the result of overspending so much as under-taxing."<sup>28</sup>

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<sup>25</sup> International Labor Organisation, Report of the Committee on Social Security, Conclusions Concerning Social Security, 6 June 2001.

<sup>26</sup> ABS Income Distribution - 6523 - 1999-2000.

<sup>27</sup> [2013] FWCFB 1635

<sup>28</sup> IBISWorld, December 2013,p2

Further, IBISWorld also suggests that the overall tax rate in Australia is less than virtually all OECD countries.<sup>29</sup>

80. There is much scope for Australia to improve the progressivity of the tax system and to simultaneously increase tax rates for high net worth individuals so as to ensure that all Australians have sufficient income to live decently with dignity.
81. A comprehensive quality based child care system with needs-based funding will increase opportunities for families to participate in the system and, by extension, the paid workforce.
82. The government already provides substantial assistance with child care costs through the provision of the Child Care Benefit and the Child Care Rebate.
83. The Child Care Benefit is paid on a means tested basis. The Child Care Rebate is a non-means tested payment of 50% of out of pocket expenses of parents, up to a limit of \$7500 per child per year.
84. Irrespective of their income level, all parents using child care receive some level of government financial support.
85. However, for some parents, child care is not affordable, even with the Child Care Benefit. Even with the current levels of government support, many families, especially low income families, still find that formal child care is too expensive to access.
86. The SDA finds it curious that, as the Issues Paper suggests, higher income families report cost difficulties in greater numbers than others. We suggest this may be because such parents are still in touch with the system and have the skills to make such reports, while many low income families have actually walked away from the system.
87. There is also evidence to suggest that families in most need of support are often least likely to access that support<sup>30</sup>, for a variety of reasons including the fragmented nature of service provision, services not meeting need, lack of resources to access transport to services or lack of knowledge about the services available. There is also evidence to suggest, as above, that more vulnerable and disenfranchised families may be intimidated 'by the presence of more confident families attending services.'<sup>31</sup>
88. The levels of child care support payments should be increased for those in need. Research has established that differences in socio-economic status translate into inequalities in child development.<sup>32</sup>
89. Based on the figures provided in the Issues Paper at Figure 5, it is clear that while the actual level of out-of-pocket fees for high income earners is higher than for those on \$35,000pa, those on the higher incomes have substantially more income at their disposal after paying for child care, than those on \$35,000pa.
90. The Child Care Tax Rebate creates a level of inequity in the overall system as the major beneficiaries of this scheme are high income parents. There should not be an obligation on

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<sup>29</sup> IBISWorld, November, 2013,p5

<sup>30</sup> Ibid 3, p.11, citing Fram., 2003; Ghate & Hazel, 2003; Offord, 1997; Carbone et al., 2004; Rigney, 2010; Social Exclusion Task Force, 2007).

<sup>31</sup> Ibid 3, p.11, citing Carbone et al., 2004.

<sup>32</sup> Ibid 3, p.11 citing Hertzman et al., 2010; Strategic Review of Health Inequalities in England post-2010 Committee, 2010.

the public purse to meet, in part or in full, the costs of child care for those who are on high incomes.

91. The level of financial support provided for parents by government should be income related.
92. The Child Care Rebate should be incorporated into the Child Care Benefit and the payment means tested.
93. There should be no move to further introduce provisions which would have the effect of delivering the greatest benefits to those on the highest incomes. As such any further extension of salary sacrifice for child care purposes or any introduction of tax concessions for child care should be resisted.
94. Tax concessions could potentially lead to a stratification of the child care system. Wealthy parents would pay more, knowing they could claim such costs on their tax. Over time, this would lead to the children of high income families being grouped together in certain centres and the children of lower income families being grouped together in other centres.
95. During the 90's there was a shift from funding centered upon child care centres (operational subsidies and capital expenditure subsidies) to funding centered upon support for individual families (fee subsidies). This had the affect of reducing costs for low income parents, thus making child care more affordable for them. As such, the change in the structure of funding child care was progressive.
96. A return to a system which incorporated operational subsidies would be regressive.

#### **Recommendation 5: Formal ECEC services must deliver quality outcomes**

97. The Federal Government has a responsibility to ensure formal ECEC services deliver quality outcomes for children.
98. The National Quality Framework with its stronger standards, consolidated regulatory approaches and rating system must be maintained and made applicable to all service types.
99. Such a quality focused system must have a mandatory link to child care assistance. Child care services must meet and maintain minimum standards in order to access, directly or indirectly, any financial support.
100. The SDA supports the current approved/registered system and the implementation of the National Quality Framework. In our view it is not unreasonable to expect that those receiving payment for providing care to children other than their own meet certain minimum standards. There may well be opportunity to expand this framework to all service providers.
101. A key feature of quality provision is manageable ratios of carers to children, recognizing that child care is not babysitting, and should deliver to the child a positive learning experience.
102. Quality learning experiences and proper care require trained and appropriately rewarded staff. The COAG's *National Early Childhood Development Strategy* draws on several longitudinal research studies which point to the quality of the workforce as critical to achieving good outcomes for children, particularly in higher qualifications of early childhood professionals and lower child-to-staff ratios.<sup>33</sup>

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<sup>33</sup> Council of Australian Governments (2009) *Investing in the Early Years- A National Early Childhood Development Strategy*. pp.8-9.

103. Additional evidence about the critical importance of skilled childcare workers comes from the Benevolent Society's review of the most effective early intervention programs i.e. targeted early childhood education and care programs for those at greatest risk which have had or are likely to have had the greatest impact on reducing disadvantage in later life. That review found that there was an important role played by the direct teaching component, delivered by educational professionals, in improving child outcomes.<sup>34</sup>

#### **Recommendation 6: ECEC must be properly planned and adequately resourced**

104. Provision of child care and early learning needs to be properly planned and sufficiently flexible to respond to the changing work patterns of many Australians.
105. While nationally it may be arguable that Australia has sufficient child care places, there are still areas of high local need, especially in rural and remote communities, in communities experiencing socio-economic disadvantages and in culturally and linguistically diverse communities.
106. There is also evidence of a significant, unmet need in the before/after school, week end, part day and vacation care areas. Australia appears to have both an over-supply and at the same time under-supply of child care places; we have centres with waiting lists and centres with vacancies.
107. A significant unmet demand also exists for non-work related occasional child care. Occasional child care fulfils a range of useful community and social functions and should be treated as such.
108. In the provision of childcare there needs to be a proper planning process which links need and cost in order to ensure maximum return for investment in infrastructure and to ensure children's services are provided where they are necessary and on an equitable basis for all families. Childcare facilities need to be established where there is real need.
109. Industries such as retail and fast food operate on extended trading hours. Increasingly the SDA is finding that retail workers are being asked to work rosters that do not fit with the opening hours of child care centres. This creates a substantial difficulty for workers. In many instances it determines whether the retail worker will work the roster provided. It clearly impacts upon the work decisions of parents.
110. In two national surveys of its members, the SDA has consistently found that the majority of its members with childcare responsibilities do not use formal childcare<sup>35</sup> but rather rely on spouse, family and friends.
111. The SDA also receives consistent feedback on the variety of financial and logistical factors which influence the limited utilisation of formal child care. Given the predominantly part-time and casual nature of employment in the service industries, and taking extended trading hours into account, it is quite common that start and finish times and full-day fees for childcare are incompatible and unaffordable, particularly where only part-day childcare may be required.
112. There is a growing need for child care centres to open longer hours and to implement half or part day rates.

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<sup>34</sup> Ibid 3, pp.24-25, citing Nelson et al., 2003., Ramey & Ramey, 1998.; Schweinhart et al., 2011.

<sup>35</sup> SDA Members Survey 1995; SDA National Survey of Members, 2005.

113. This obviously has a cost impact on the financial viability of the centres. Equally it is not reasonable to ask skilled childcare workers to work longer hours or outside normal working hours without appropriate remuneration.
114. However, the SDA firmly believes that early and sustained investment in flexible, affordable and high-quality ECEC services delivers greater social and economic benefits than responding to the later consequences of under-investment. These benefits include positive development outcomes for children and increased workforce participation of women in particular.

## Conclusion

115. The SDA reaffirms its key recommendations for the Productivity Commission's consideration.

### Key Recommendations

- **In the provision of ECEC, the first priority must be the best interests of the child. This includes understanding the importance of the early years and the provision of safe and secure home, care and learning environments. As such, ECEC cannot be separated from other issues relating to government policy concerning families and children.**
- **Government must consider ways to make choices about early childhood education and care more accessible and affordable for more parents, particularly those experiencing economic difficulties. This includes the provision and/or protection of sufficient income for families to live with dignity, flexibility in provision of funding, concessions and child care services, and holistic approaches to safe work practices for pregnant workers and family friendly working conditions.**
- **The level of financial support provided by governments for early childhood care and education should be income related, to ameliorate the increasing financial gap between low and high income families, to make ECEC more affordable and accessible, and to provide specialised and targeted ECEC to families in most need.**
- **It is the Federal Government's responsibility to ensure formal early child education and care services deliver quality outcomes for children.**
- **The provision of early childhood education and care must be properly planned and adequately resourced.**

116. The SDA welcomes the opportunity to contribute to this Inquiry and encourages the Productivity Commission to consider the wide-ranging and long-term contexts of appropriate investment in early childhood education and care.
117. The social and moral arguments for the provision of appropriate support, care, education and services to infants, children and their families are compelling in their own right. When considered alongside the overwhelming evidence about the long term social and economic benefits, the SDA strongly believes that greater investment is not only justified, but critical to the health, wellbeing and development of all Australians.