

CCNA

CHILD CARE NATIONAL ASSOCIATION

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03 February 2014

Dear Dr Craik

Re: The Productivity Commission – Child Care and Early Childhood Learning Inquiry 2013-14

Child Care National Association

Child Care National Association (CCNA) is Australia's national voluntary non-profit childcare business organisation. CCNA has for many years been nationally incorporated through ASIC. CCNA child care members, associates and friends occur across Australia.

Introduction

Australian children's services have for decades been world class. Many international groups have visited Australian service providers and educational institutions to see how we do it so well. CCNA unequivocally supports the wonderfully wide mosaic of choices of quality affordable accessible children's services for Australian families and their children which has been government policy for many years. CCNA generally supports COAG's Early Childhood Development (ECD) policy directions communicated following the 7th December 2009 COAG meeting which sought to promote even better early childhood education and care for Australian families and their children though latterly processes have been somewhat flawed leading to this Productivity Commission Inquiry.

Australian children's services are certainly not broken though they can be significantly improved. They are in a somewhat fragile state currently and have been 'here' before during an almost parallel period some fifteen years ago. Sadly, most Australian government's knowledge bases for that prior event have almost disappeared following staff changes over the intervening years.

As justification for COAG National Quality Framework (NQF) plans, critical child brain development theses are currently very fashionable. But such theses are not new. Ancient Greek philosopher Plato is quoted as saying "You know that the beginning is the most important part of any work, especially in the case of a young and tender thing; for that is the time at which the character is being formed and the desired impression is more readily taken". Middle Ages Jesuit priests reflected "Give me the child and I will give you the man" and there were young Brown Shirts, Hitler Youth and Pavlov's dogs. Appropriately, throughout history in civilised societies, a child's own parents have always had the most critical role in forming their very young children's developing brains. Much has been written that stable families are important for children's development. This would be an area for further early childhood and childcare learning optimising cost benefit considerations.

CCNA commend the Abbott Government's requested Inquiry and look forward to assisting the Productivity Commissioners identify quantifiable improved opportunities for Australian families, their children and all Australian Governments. Australian families deserve and expect better.

**CCNA February 2014 Initial Inquiry Submissions for
The Productivity Commission – Child Care and Early Childhood Learning Inquiry 2013-14
Scope Matters for the Inquiry (TOR)**

1) *The contribution that access to affordable, high quality child care can make to: a) increased participation in the workforce, particularly for women b) optimising children's learning and development.*

There are plenty of indicators that such care really contributes to workforce participation especially for women and that assists underpinning the national economy and positively supports the community but there are tradeoffs for women to enter paid workforce. Issues paper p14-15. CCNA would encourage Commissioners to engage commercial analysts to quantify potential national GDP and subsequent taxation revenue benefits that forth coming Inquiry proposals suggest to assist staying 'within current funding proposals'.

While there is no doubt that children learn and develop well through Australian quality child care environments, quantifiable and demonstrable 'optimising' of same within such already world class environments is considered difficult (the diminishing law of returns). Significant advances were achieved via the previous National Childcare Accreditation (NCA) over time. The current NQF has many areas as still 'work in progress' eg especially with respect to nationally and locally available qualified staff numbers, which is adversely impacting upon services (see various PC submissions) and therefore upon quality childcare provision. Yet another NQF area to be revisited is the 'Working Towards' standard. ACECQA suggests this standard is acceptable. If you have not achieved the 'standard' elsewhere in the world and in the minds of many including parents staff and providers, it is a fail mark. NQF has also centralised but not streamlined industry processes which is developing unhealthy adversarial regulator attitudes. By these aspects, the NQF may actually result in reduced rather than optimised service outcomes. All such matters need solutions prior to further NQF rollout as the industry is in a quite fragile state with some services already closing. As an aside when considering optimisation, the 2014 PC Report On Government Services (2014ROGS) p3.28 discloses the average LDC child attendance booked hours to be only 27.6 hours (or just 1/6th of each week).

Some years ago two CCNA Directors were invited by the Chinese Department of Education to the People's Republic of China. While in Beijing, the delegation witnessed a world class symphony orchestra of four year olds demonstrating that with intensive 'education', young children can be taught virtually anything. A quite different consideration for CCNA is, should young children be taught with such focus or should they be allowed and encouraged to enjoy playing, growing up and learning with their families as other PC Inquiry submissions suggest.

By 2014ROGS p3.8 Australian childcare costs have continued to rise at 10.5% pa compounded now for six years by another PC submission. Such rises must be unsustainable. Significantly, Australian childcare costs last rose at the current levels of increase following the early 1990's introduction of the NCA. The current industry predicament is exactly parallel with the NCA introduction period but with NCA replaced by the NQF. NCA advocates wrongly said then that NCA cost increases would be very small as they have again said in relation to the NQF. In 2009 however, COAG produced reasonable NQF cost increase estimates which are pretty much accurate to that which is currently occurring in practice. Though never acknowledged, early the 1990's experienced industry business cost estimates proved to be very accurate. The 1990's unsustainable industry cost rises then almost resulted in industry wide financial collapses as families 'refused' to pay for the childcare cost increases. At that time children returned to backyard and latch key care. Such was hardly an optimisation for children and families nor achieves 'The best possible start in life' as ACECQA purports. Only the introduction of the 2000 New Tax System (where wholesale model changes were introduced) was the pending industry collapse reversed. Just prior to 2000, real industry business expertise was sought and valuable information was forthcoming to the then government. Sadly, most historical knowledge has been lost from all Australian Governments. Issues paper P20

The TOR suggests *'almost all children'* currently use some form of childcare. Issues Paper P8. CCNA suggests information sources ought be reviewed and/or clarified. By the 2014 ROGS p3.27 only 30.7% of 0-12 year children attended government funded (State and Federal) childcare. Only 45.7% of 0-5 years children attended government funded childcare. There are 5,200 Registered providers – Issues Paper P15 though their contribution to cared for numbers is unclear. There are 4,300 preschools where by ROGS 2014 p3.31 nationally 86.3% of children in just the year before full time schooling were preschool enrolled. Unknown informal care provision exists. Issues Paper P15. It would seem apparent that to get to the TOR *'almost all children'*, family and friends care would need to be included which might indeed be the Treasurer's intention. A commercial survey would be in order to get at the facts prior to optimisation of outcomes for Australian families, children, taxpayers and governments.

- 2) *The current and future need for child care in Australia, including consideration of the following:*
- a) hours parents work or study, or wish to work or study*
 - b) the particular needs of rural, regional and remote parents, as well as shift workers*
 - c) accessibility of affordable care*
 - d) types of child care available including but not limited to: long day care, family day care, in home care including nannies and au pairs, mobile care, occasional care, and outside school hours care*
 - e) the role and potential for employer provided child care*
 - f) usual hours of operation of each type of care*
 - g) the out of pocket cost of child care to families*
 - h) rebates and subsidies available for each type of care*
 - i) the capacity of the existing child care system to ensure children are transitioning from child care to school with a satisfactory level of school preparedness*
 - j) opportunities to improve connections and transitions across early childhood services (including between child care and preschool/kindergarten services)*
 - k) the needs of vulnerable or at risk children*
 - l) interactions with relevant Australian Government policies and programmes.*

Childcare (and children and families) are not all the same, average, standardized or homogeneous but a wonderful spectrum across a diverse and large continent. Australian children's services are a mosaic of varieties of care solutions where there is no one size that fits all. This presents real impediments for centralist planners trying to adopt averages, normal care and standard regulations that do not match the variation of choice sort by Australian families to suit their needs. A number of Inquiry submissions highlight the diversity.

CCNA's view is that it would be folly to expect all childcare requests for all families at all times could possibly be met across Australia. No government nor organisation large or small could possibly viably maintain available childcare just-in-case for every potential request. Though there is undoubtedly significant unmet Australian childcare need, much closer examination of unmet need would be productive. Broadly, by far the majority of care requests are met though with a businesslike can-do approach, cooperation and consideration, a significantly higher number of waiting list requests could be met. For many years governments have known of underutilisation of lots of formal childcare places. Issues can be location, preferred provider, perceived affordability, competitive plays, available places by child's age or days or time available, physical access, local government constraints, lack of planning by many parties and many more. Further, childcare supply and demand change continuously. Significantly, all Governments at a local level could facilitate changes to occupancy, utilisation, layout, type of care as many community and private operators are poorly constrained 'businesses' exacerbated by regulation or perceived 'regulation' and local councils where even hours of operation can be artificially restricted and 1970's and 1980's outdated car parking limits applied limiting flexibility. CCNA is prepared to expand this in later submissions. A business taskforce could work through and optimise very many of the issues. See below.

CCNA refers Commissioners to the Department of Education's Childcare and Early Learning in Summary for March Quarter 2013. Therein contained Table 16 confirms widespread care vacancies for which as noted above there are many reasons. The above mentioned business taskforce could optimise outcomes for families.

There are a wide number of current programs for rural, regional and remote parents. The Department of Education should provide Commissioners with fully quantifying information on their reach and effectiveness. There are current Flexibility Trials in progress and a 'library' search contracted. CCNA has observed many such trials over many years with virtually all being sub-viable and effectively unnecessary. Most trials simply wither to a stop. It would be true to indicate that award penalty rate shift and overtime loadings significantly impede 24/7 flexibility success prospects. Over many years shift workers with children have successfully resolved their childcare needs. Principally parents believe their children should be home in their beds at night. Often shiftworking parents arrange their shifts that one parent can be home day and night with their children. In Home Care, nannies, au pairs and grandparents can and do suit some families care needs and Family Day Care and even Long Day Care can provide short term out of hours care solutions.

Affordability is often raised as a childcare access issue though it can have a range of definitions. It is a concern for both parents and taxpayers. Some parents seek zero cost childcare. CCNA is of the view that such would actually devalue care provision perceptions. As raised in Item 1 comments above, the biggest affordability issue is currently largely in the hands of Australian governments. While everybody wants 'the best possible start in life' for their children in the 2013 ACECQA NQF Burden Report released late December 2013, were parents openly asked whether they were satisfied with current childcare cost and quality together, or whether they believed they are getting value for the December 2009 COAG estimated fee increases from the COAG NQF rollout? There are many indicators that many parents are satisfied with lower cost 'existing standard' childcare. There is no point even offering 'Rolls Royce' care if parents will not pay for same as occurred in the late 1990's with the baby thrown out with the bath water being hardly an optimal result for children. This is the primary reason why the NQF rollout ought be substantially slowed. A further affordability concern relates to advantageous treatment of some care providers over others. CCNA firmly supports equal treatment for all Australian children. Some providers get payroll tax and other taxation exemptions, local council rent or rates remissions, wages subsidies and other support from various levels of government. These directly flow to families as service specific fee subsidies. All similar Australian children deserve similar treatment for optimal affordability and developmental outcomes. The DEEWR Child Care in Australia August 2013 seems in Figure 2 to indicate continual 7% pa LDC fee increases as normal. By this very Inquiry, parents are not accepting same in current times. This same DEEWR document on page 6 advises the 50% Child Care Rebate (CCR) annual subsidy was capped for 2012-13 at \$7,500 pa but does not go on to say the 2013-14 federal Budget papers 'extend the limit' cap at \$7,500 till 2016-17. That fact was not publicised prior to the September 2013 federal election. Families will be very strapped by 2016-17 with no childcare subsidy increases as massive COAG childcare cost increases continue to roll out. Without help for families with costs, substantial COAG childcare slowdown would seem essential. As a minimum course of action families should be given the choice. The same August 2013 DEEWR material documents indicate \$7.20 as the average hourly fee for LDC in September 2012 (not in 2013 nor 2014). At that rate, a full week 50 hours of care for 52 weeks per year would cost \$18,720 which exceeds the 50% CCR cap limit ie. \$7,500x2, therefore all average cost (and above) full time care workers (being over CCB limits) will pay fully as out-of-pockets for all COAG childcare cost increases which would seem to be a serious workforce participation deterrent especially for women.

Significant childcare subsidies increases have occurred over the past decade principally with the firstly 30% and then to 50% (apparently as far back as 2008) childcare rebate above CCB subsidies. With the current COAG projected NQF cost trajectories and with very likely FWC industry national wage increases through 2014 with wages being such a large portion of operating costs, even higher

subsidies will be necessary to retain overall industry financial viability and/or escalating parent out-of-pockets. Childcare is a cash flow business and childcare cost coverage only comes from parents and governments. If fees are not paid or if government subsidies come late, which already occurs from time to time, staff wages may not be paid in a timely fashion. As a corollary this is also why most services charge fees for public holidays, ie to pay staff for the same public holidays. It is also a fact that across Australia, childcare services regularly fail financially. Issues Paper P21-22. Unlike Issues Paper p15, ACECQA Snapshot Q3 2013 says 83% of services are single operators. COAG has known family out-of-pockets would rise significantly since December 2009 due to increasing requirements. Only slowing or other mitigation of those requirements can modify the cost outcomes. CCNA has worked with families for many years and believes families should be given the open balanced choices in this area to live within their means. Exactly the same should be said regarding government expenditure. The only other option is increased government contributions.

Flexibility. Regarding non-standard hours, shiftworkers and types of care it makes no sense that so many services exceed 'standard hours'. 2014 ROGS p3.40 Figure 3.9 indicates over 80% of LDC provide 'Non-Standard Hours'. Media talk of 9-5 childcare is simply wrong. Furthermore, Education models using 'Standard Hours' and Education Child Care Services Handbooks (defined standard hours 7.00am-6.30pm) need review and updating. Today many LDC services are open up to 60 hours per week to be more responsive to today's families and today's economy beyond five day 9-5, full time, part time or casual work or study. Now while there are ongoing requests for round the clock available childcare, as noted above, generally parents believe their children should be 'home in their own bed' except for special events. Where round the clock LDC childcare has been offered, it slowly degenerates to underutilisation with unjustifiable financial viability and even inadequate 'work' to keep carers motivated. FDC and IHC would seem more likely formal round the clock childcare solutions. With a reinstatement of genuine OC facilities, such services could provide for special event flexibility. An increasing issue is the poor management of teachers into the workforce childcare environment. Essentially, teaching graduates only wish to work 9-3 for 40 weeks a year as per primary schools which is incompatible with today's working family's needs. This conundrum needs industry wide attention. More and more today where there are two parents, both parents take a role in caring for and educating their children personally and as noted above where shiftwork occurs alternate parent rosters often enable family home based care. Finally, 2014 ROGS suggests many families still provide their own family full time childcare.

Availability includes a) Outside the children's home - LDC, FDC, mobile, OC (more dynamic), OSHC, preschools, kindergartens, indigenous, rural and remote, specialist (mostly approved care) and b) Inside the children's home - IHC, nannies, au pairs, grandparents, family friends, babysitters, informal carers (some are and more could be registered care) which can be more responsive to needs of parents all with varying but to families acceptable safe nurturing environments. Grandparents are increasingly important though much overlooked care providers today. For regional and rural families, regulations can result in regional staff difficulties which can affect care availability. See also unmet need and vacancy comments above.

While lots could be said regarding developmental delays, satisfactory school transitions and children with disabilities and while there is always room for improvement, currently there are great achievements in these areas. CCNA could expand here in subsequent submissions.

Successful employer childcare options (as with flexibility trials) have ebbed and flowed over many years. With general workforce changes and mobility and worker and child absences and employer policy changes over time, it can be underutilised. Of a more complex nature, employers continuously weigh human resource benefits against the additional workplace complexities via regulations and industrial relations matters including possible or potential mainstream business disruptions.

Improving connections between childcare and preschool/kindergartens would be productive as there is often fierce ideological and commercial competition between providers and types of

services and between community and private providers. A business taskforce could make advances here.

3) Whether there are any specific models of care that should be considered for trial or implementation in Australia, with consideration given to international models, such as the home based care model in New Zealand and models that specifically target vulnerable or at risk children and their families.

CCNA Directors have personally inspected children's services in many parts of the world. Australian children's services have evolved to suit Australian families and their children. New trials and or options can be investigated though alternative overseas models of care seem currently unnecessary. In essence, it is not broken but needs tweaking and it can be tweaked further supporting parent's choices and children's growth, welfare, learning and development. CCNA reserves further comment here upon forthcoming proposals.

4) Options for enhancing the choices available to Australian families as to how they receive child care support, so that this can occur in the manner most suitable to their individual family circumstances. Mechanisms to be considered include subsidies, rebates and tax deductions, to improve the accessibility, flexibility and affordability of child care for families facing diverse individual circumstances.

With fulsome consideration of cost containment comments in 2 above, expanding the subsidies spectrum (with checks and balances) to a wider range of existing service providers could be achieved with care and support of a business taskforce. Commercial financial modellers would need to be engaged on such a project to ensure staying 'within current funding parameters'.

The Australian OSHC model seems to be quite a success but it is fragile and vulnerable to unnecessary NQF requirements as Inquiry submissions indicate.

5) The benefits and other impacts of regulatory changes in child care over the past decade, including the implementation of the National Quality Framework (NQF) in States and Territories, with specific consideration given to compliance costs, taking into account the Government's planned work with States and Territories to streamline the NQF.

Over the last couple of decades many Government policy settings have worked well. LDC services are up 46% in decade to 2011 increasing supply and demand. FDC and IHC are up 15% but Registered care claims down 33%. OC is down 27% but with capped places. This is being addressed.

Impacts of regulatory changes over the past decade including NQF and compliance costs and new risks are very significant even with proposed though poorly known government streamlining and red tape reduction suggestions. The 2013 ACECQA NQF Burden Report seems to indicate around p41 that 60% of providers perceived the ongoing just ACECQA defined administrative requirements quite burdensome and that 65% of providers perceived (p65) the administration burden not reduced under the NQF (compared to NCA). Therefore many more opportunities for burden reduction are needed from governments to services than currently contemplated. Importantly, parents complete choices ought be openly canvassed. The majority of providers are very good at 'childcare' but poor business people with poor knowledge of the every changing 'laws'. A massive reduction in red tape would assist but not jeopardise the almost universally desired outcomes with actual fraud and unacceptable care quality properly contained resulting in efficient and effective public expenditure. Regarding services regulation, planning and funding, before further expanding CCMS data capture it would be helpful to apply Departmental resources for much better mining existing captured data.

A full business taskforce review of NQF rollout with respect to service assessments and ratings would seem essential. Analysis of the recent ACECQA Snapshot Q3 2013 may indicate an unsatisfactory delivery of the national industry wide assessment and rating process with potentially ever increasing back logs of unassessed and to be reassessed services.

6) *In making any recommendations for future Australian Government policy settings, the Commission will consider options within current funding parameters.*

As childcare is an area with continuous voracious even insatiable thirst for additional funds, Inquiry submissions without any apparent opportunity to stay 'within current funding parameters' ought receive discounted consideration. Commissioners are encouraged to review the Institute of Public Affairs Australia 2009 publication by Dr Alex Robson clarifying Australia's substantial contribution to early childhood education refer:-

www.ipa.org.au/library/publication/1255065925_document_robson-startingstrong.pdf .

Recommendations that stay within current funding parameters may occur and result via additional taxation receipts or reduced reliance on welfare support or other community costs/benefits – GDP up as Canada – Issues Paper p13.

Ineffective or inefficient business consultants and consultation eg EYQF advisory board and current flexibility consultations ought be reviewed as should the validity of prior government EYQF legislation under international treaties.

Already non childcare citizens and general taxpayers are querying the rapidly escalating and unsustainable childcare expenditures.

General Options for Improving Current and Coming Children's Services Outcomes

- For the first time in five years professionally review the rise in the cost of child care programs and benefits – ie update COAG December 2009 which was last government cost analysis. Former Federal and State Labor Governments knew families childcare Out-Of-Pocket costs would rise as they have and as they will so continue for 6 more years from COAG known proposals and causes.
- Review ACECQA funding with States and Territories providing principal NQF administration and rebalance the ACECQA Board with experienced ECEC business persons. Review ECEC National Partnership Agreements.
- To enhance flexibility outcomes, review current government position with respect to 2014 current working hours particularly for non Monday to Friday 9-5 working parents and especially for women
- Review current FWC Equal Pay case as it will very likely result in even higher child care costs and lower childcare affordability for parents including women with potential workforce participation reductions
- Remove payroll tax for all childcare services as opposed to just some
- Pay CCR to services directly as some families use it as income support thereby never getting to any professional childcare provider
- Optimize FAO/Centrelink operations to effective and efficient commercial standards
- Put NQF staff ratio changes on hold pending the above cost/benefit review
- Fully review and recommence all Federal and State and Territory ECEC Workforce Strategies including workforce needs, deliverables and timetables with full solutions to PC 2011 Education and Training Workforce: Early Childhood Development Report issues
- Review Federal, State and Territory legislative ECEC extremely punitive penalties and their applicability and effectiveness
- For the first time in some years, Education needs an equal number of well experienced ECEC industry business advisors at all of their planning tables as current 'quality' advocates for optimal outcomes for families and children.

Yours faithfully

All CCNA Directors (who are available to substantially expand and modify these submissions)