



Australian Government
Productivity Commission

PRODUCTIVITY COMMISSION

**INQUIRY INTO CHILDCARE AND
EARLY CHILDHOOD LEARNING**

DR W CRAIK AM, Presiding Commissioner
MS R BELL, Assistant Commissioner

TRANSCRIPT OF PROCEEDINGS

**AT GRACE HOTEL, SYDNEY ON
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DR CRAIK: Firstly, apologies for being late. The vagaries of the airline system, I'm afraid. Anyway, apologies and thank you for waiting. And we'll try and make up the time as we go.

Good morning, ladies and gentlemen, and welcome to the public hearings for the childcare and early learning. My name is Wendy Craik and I'm the presiding commissioner on this inquiry. My fellow commissioner on this inquiry is Jonathan Coppel, but unfortunately, he can't be here today. The assistant commissioner on my right is Rosalyn Bell.

The purpose of this round of hearings is to facilitate public scrutiny of the Commission's work to get some comments and feedback, particularly to get people on the record which you may draw upon in the final report. We've already had hearings in Perth and Port Macquarie. Following this hearing, there'll be hearings in Melbourne and Canberra. We expect to have a final report to government in October this year.

Following our delivery of the report, the government has up to 25 parliamentary sitting days to publicly release it. We like to conduct these hearings in a reasonably informal manner. But I remind participants there's a full transcript being taken. So we don't take comments from the floor because they won't actually be recorded effectively. But at the end of today's proceedings there will be opportunities for people who wish to do so to make a brief statement. And obviously people are able to submit further advice to us if they choose to do so as a result of things they hear said today.

Participants are not required to take an oath, but we do ask them to be truthful in their remarks. Participants are welcome to comment on issues raised by other submissions as well as their own. The transcript will be made available and published on the Commission's website, along with submissions to the inquiry.

For media representatives attending today, some general rules apply and I think probably you've seen the staff already.

Today is quite a busy day and apologies for me being late. But I'd ask you to keep to your times. I suppose one of the real values of these things is that we can ask you questions and get your responses to us. So if you spend all the time talking and giving your presentation to us, then we don't get too much time to ask any questions. So we would appreciate if you can keep your presentations brief.

Now we're ready to start the day's hearings. First participant is Ginie Udy who's the CEO of SDN Children's Services. So when you're ready, if you'd like to come up and take a seat. If you could start by saying your name, your position and your organisation, and if you'd like to make a brief presentation we'd like to hear from you. Thank you.

MS UDY: My name is Ginie Udy. I'm the CEO of SDN Children's Services. SDN provides education and care services for children aged birth to five years of age to 1816 families today. Across the year it's about 3000. We are a not-for-profit provider and we are deeply committed to both high quality and also inclusion. I think that's reflected in the stats of our families where we have half of our families are on income levels of 150,000 or more and 20 per cent of our families are on income levels of 50,000 or less. The remaining 30 per cent of families range between those two, the middle bracket, you could call it, of family income.

When I look at our families I think we attract families who see both our quality and also our commitment to inclusion. Four per cent of our children in our services are Aboriginal. About 4 to 5 per cent are children with disabilities and about 3 per cent of the children also are drawn to us because of the additional services that we provide or are referred to us from welfare-type organisations.

So we have a lot of data actually at our disposal and we have tried to do some modelling of which families will be better off and which will be worse particularly under the early care and learning subsidy. It's a very complicated picture. I was talking to some of my colleagues earlier today. We have spent days and days accessing our databases, converting percentages of CCB to income levels. Of course we cannot estimate the income of anyone who doesn't get – at the moment is not eligible for CCB. But we do know that is about half of our families. We can only make some estimates there.

But what we have been able to ascertain is that the higher the cost drivers for us, the worse off families will be under the new deemed cost of care. We are predominantly in the inner city of Sydney and I think our modelling would back up the modelling that's been done by Goodstart which would show that services that are provided in the inner city areas in capital cities will be the hardest hit by the deemed cost of care and the early care and learning subsidy proposal.

We have a quarter of our centres in really – when I say “inner city” I'm talking Pyrmont, Surry Hills, Woolloomooloo, Glebe, like within a very close radius of where we are right now. All of those families will be worse off; every single one of them at every level of income. This was quite shocking to us. I think we're all prepared to accept that maybe, if we have to make a choice, higher income earners could possibly, if we had to make a choice, bear more cost. But for us to realise that for families who are currently on incomes of below \$40,000, a combined family income of \$40,000 to \$50,000, to have them worse off is unacceptable.

These are the families that are already struggling to pay the cost of care now. To have that rise for them we will see those families leave. These are the families that we most want to reach out to. These are the children who will most benefit from high-quality early childhood education and care and these are the ones that will miss out and suffer the most.

For us, we're worried, of course, for all of our families. When I say “all”, it is absolutely at every income point. So to say that a family of combined family income of \$70,000 isn't struggling, they are. Even a combined family income of \$100,000. You'd only have to have two parents on incomes of \$50,000 to get to that point. That would not be a wealthy family by anyone's imagination. So we have 745 families in our inner city services that will all be worse off.

In addition to that, we also have families – so what about the rest who are going to be worse off? Because we've calculated that 40 per cent of our families will definitely be worse off. Twenty-five per cent of those are in our inner city services. The remaining 15 per cent are spread in our country services. Believe it or not, up in Lithgow – maybe this is the mines – I was quite interested to see in our centre we run in Lithgow we actually have six families who are on combined family incomes of \$170,000 or more. That's a bit rare, actually. Most of our services in our country areas have no-one. For example, Goulburn, we have no

families on family income of 170,000 or more. Out at Rooty Hill you may be not surprised to learn that of our 56 families, 35 of those are on combined family incomes of 40,000 or less. And no one is on an income of 150,000 or more that comes to our Rooty Hills centre. So of the 15 per cent that are in centres not in our inner city area the ones who'll be worse off are the very lowest income and the very highest income.

Now, someone asked me this morning, "Is anyone going to be better off in your centres, Ginie?" Yes, they are. About 40 per cent are going to be better off. These are the ones that are on incomes between \$60,000 and \$140,000. So I think that does back up some of the modelling by the Productivity Commission which showed that it was that 60,000 to 160,000, I think, that you were saying would be – you were predicting would be encouraged to participate more in the workforce. Our modelling would confirm that as well.

Some of you who have been doing the maths might say there's a missing 20 per cent. We know that 40 per cent of our families will definitely be worse off. We know that 40 per cent will be better off. There is 20 per cent that because we can't really ascertain their income now and it's not clear, we're not a hundred per cent sure what their effect will be. I think what I would also just like to say is while we know that operating in the inner city areas does have high costs attached to it, when I looked at our data most of our centres in the inner city are also our biggest centres. And that's where we have more teachers.

I think this is where we also need to think when we talk about the cost, what are we actually buying. Are we talking about a product that we're trying to price? I think that's at the heart of – philosophically, that's the heart of the problem in a way. We don't see what we're providing as a country as a right or a service that all children are entitled to. We're now seeing it as a product that we have to price for people to purchase. While I philosophically find that quite uncomfortable and inappropriate, I'm so committed to providing a high-quality service that I'm prepared to do the modelling and to do the costing.

So if we are going to accept that paradigm, I think we need to really realise or accept or agree what is this product. Is it care or is it education or is it some magic mix of both? I was heartened by the Productivity Commission's report which said that they did see a role for government in supporting early childhood education and care because early childhood education and care plays a role in supporting families' access to the workforce, helping children with developmental delays start school better prepared and addressing inequalities in opportunity for children with disabilities in challenging circumstances or living in rural and remote areas.

Now, my view is that only the first of those can really be provided by care. Safe, custodial care will support families' access to the workforce. But even that I would challenge because if you're worried about that quality, how focused at work will you really be? And if your child screams and cries and clings to your leg when you're leaving, how productive will you really be in your workplace? However, I definitely know that helping children with developmental delays start school better prepared and addressing inequalities in opportunity for children with disabilities or in challenging circumstances cannot be provided by just custodial care alone.

For those outcomes to be achieved higher-quality staff, staff with a teaching background, have to be employed. That inevitably leads to higher costs. So I know that our inner city services are not just more expensive because they're in the inner city. I also know that they

are our centres where we employ more teachers because of their size as we are historically required to do in New South Wales and which we gladly and want to do, because that's what we are on about.

All I can say is that if we as a country are committed to early childhood education and care, then the deemed cost of care is too low and we need to not only increase that but also look at making that more sensitive to the areas where people are living and the costs that are involved and also income levels. So our written submission in response will be giving more detail on that.

DR CRAIK: Thanks very much for your comments and also thanks very much for all your modelling. It's interesting. We had a look at yours, having got yours yesterday – and you've got a daily fee you quote here. So we're not quite sure what your hourly fee is. So we'd be interested in your hourly fee. But if the hourly fee was less than \$9.90 at \$40,000, families would be better off according to our modelling. And at \$60,000 family income they'd be better off if the hourly fee was less than \$10.20, and 130,000 to 160,000 they'd be better off if the hourly fee was less than \$10.60. So we'd be interested in having a discussion with you.

MS UDY: I'm trying to do the maths in my head because we do a daily rate. I think, Commissioner, I have never seen a centre that charges an hourly rate. So I do think we need to speak – unless we're going to be moving to hourly - - -

DR CRAIK: We're proposing an hourly subsidy and, as I understand it, CCB is an hourly subsidy. So what we're proposing actually is an hourly subsidy. Then it would mean that – if that's what the government ends up accepting, then - - -

MS UDY: We did do some quick back-of-the-envelope calculations. For example, taking an average fee of our services of \$110 a day, a family at the moment on maximum CCB would get \$43 a day. So that would come down to 67. Then with the CCR paying the 50 per cent, they would then get half of that 67 paid for and that would come down to 33.50.

DR CRAIK: I can't do the maths in my head either quickly.

MS UDY: That's a fairly simple calculation that one. But then with the new proposal the \$110 a day minus the \$71, the 90 per cent of 79, comes down to \$39 a day. So that 39 is more than 33. That's probably bad enough.

DR CRAIK: Can we accept your - - -

MS UDY: Yes. I wouldn't like to ask with the high income earners.

DR CRAIK: We knew a lot of high income earners would be worse off. We've made that clear. But the other point I think to make is that we've looked at effective marginal tax rates. Because we've got a long slow taper on the ECLS, on the subsidy, even at high incomes – and we had a family income of 220,000 and we've looked at effective marginal tax rates and in fact the family is better off by quite a bit. The returns for working are better off four days out of five because the effective marginal tax rates are significantly reduced under the system that we propose. So even at higher incomes you might be better off than on average.

So if we could discuss that I'd be very interested to follow up with you after. But I guess the point that you make about fees in cities being higher than other areas, it seems to us, on the basis of the information that we've got on fees, there is a great range of fees charged for say long day care across this country. Other than Sydney CBD, Melbourne CBD and Canberra – and they are very high and we acknowledge that – there's no kind of logical relationship between geography and the hourly fee. So this issue of location is one that we raised in the report. I guess we're trying to keep the subsidy simple. So our first suggestion was a national one.

Once you put boundaries in it's one side of the street and the other side of the street. Postcode is not a bad suggestion for us to take a look at. But we certainly acknowledge that there are problems in Sydney – the three outliers of Sydney, Melbourne CBDs and Canberra are real issues. So can I ask you what your hourly fee is? Well, how long are your childcare centres open each day?

MS UDY: We are 10 and a-half-hours. So that 43, when I took off the \$43, that was 10.5 hours of CCB at \$41.

DR CRAIK: Are all your centres open the same length of time?

MS UDY: Yes. I think we've got one that does 11 hours.

DR CRAIK: We'd certainly be interested in talking to you about the modelling because this is where the rubber really hits the road. I have to say we used median because we couldn't possibly construct an efficient cost model in the time we had available. So we did choose a number.

MS UDY: I'm sympathetic with you because even our modelling has taken days.

DR CRAIK: Ours took weeks, I think. But no, that's really interesting. You work quite a bit with disadvantaged communities and indigenous children. I guess we'd be interested too in your views about the top-up subsidy for children with disabilities and also the – I don't know if you get into the block theory we'd be talking about block funding for where there's a real disadvantaged community.

MS UDY: We definitely know for our families who are in struggling circumstances in inner city areas would definitely benefit from some personal top-up. I would also be really interested in some block funding arrangement under the proposed disadvantaged communities program because our long years of experience in this type of work is that it's not just about making it affordable for families in those situations, it's also about preparing staff and the environment that those children are going to come in to. So the kind of work that you need to put into the additional capacity building of staff, just greater awareness of what some of those issues are going to be that they will face working with families in struggling circumstances.

Possibly we've even had situations where we've put on like family resource workers or just given our staff a little bit more – put on just additional staff for them to have more time. We know that under the current inclusion and professional support program the current inclusion support subsidy, while it pays for an additional staff member if a centre has got a child involved with a disability, that that is predominantly there to raise the ratios for the whole

room and to increase the inclusive nature of the whole centre, not as that child's worker. So I think this whole thing of what's the capacity of the whole service, what's on offer there as a whole, is just as important as giving the families easy access to the centre financially. It needs to be then when they come in to that environment that they're going to really benefit from that and be welcomed into it; so some kind of block-funded program that helps that in those areas.

DR CRAIK: Do you think that what we've proposed, which would be where providers apply for grants, which is essentially a block of funding for say building staff capacity or – I don't know – particular equipment or something, do you see that as a sensible way to go?

MS UDY: Definitely, yes. I think it builds on existing models. Like the inclusion and professional support program already has a practitioner capacity building focus with the inclusion support facilitators. So that role of reaching out to services and building the capacity of practitioners is a good model to build on.

DR CRAIK: Do you see any gaps in what we've proposed in terms of children with disabilities or disadvantaged children?

MS UDY: I think I would like to see more detail in what's proposed. We were a little bit – I think it's naïve to think that just building a ramp or providing a piece of equipment or providing once-off training is going to solve all the problems of the early childhood education and care sectors.

DR CRAIK: When we say once-off grants, we're not meaning you can only apply once. We're just meaning that they come in - - -

MS UDY: I think it's more about – as we know, there's a lot of turnover in the sector as well. So I think it's that ongoing mentoring, capacity building, attitude changing – I think it's looking at – so I'd like to see more detail on that. We'd be happy to give some more proposals in our written submission about what we would like to see.

DR CRAIK: That'd be good. If you can provide us with any information on costs of some of these things, that's quite helpful, because I think that's an area that's kind of difficult to get a handle on. What these additional costs actually involve would be really helpful for us because it's a bit hard to see from outside. That would be very helpful. Thank you.

In terms of the removal of tax benefits to not-for-profit providers - - -

MS UDY: Very brave minister was the statement I would say – if you want to come up against the 56,000 organisations that already get tax exemptions – we were wondering whether you thought only childcare got these tax exemptions.

DR CRAIK: No, we are aware, the Productivity Commission and the Henry Review did a review – well, Henry Review picked it up in its tax review and the Productivity Commission did a review of charities some time ago and made a recommendation that in fact all charities that operate commercially for competitive neutrality reasons these tax concessions should be removed. So it's consistent with that recommendation for competitive neutrality reasons. I think one of the challenges it is that it is support from the taxpayer but it's not transparent, and that's one of the real challenges.

MS UDY: Could I challenge you there on that?

DR CRAIK: Sure.

MS UDY: When you said “competitive neutrality”. For-profit providers of any service are running that service to provide a private benefit. So they are receiving/producing private income. Any not-for-profit provider of any service is putting all that surplus back in. So in actual fact it’s a completely different competitor. It’s not the same field.

DR CRAIK: I think you’ll have to convince more than me on that issue.

MS UDY: It’s because there is no – the only surplus that’s produced is only ever going to go back to the recipients of that service, the participants in it, whether that’s a for-profit housing situation or a disability service or a children’s education service. So the actual benefit that is going back is something that the government – as I said, it’s depending on what you’re buying. Like if you want to see children with development delays start school better, if you want to see inequalities addressed, then that is like the dividend. It’s a community dividend that is being supported.

I think the ATO and our country has seen that dividend being provided for centuries. That’s why that tax exemption goes back hundreds of years. Because the country could see that those kind of services – and mostly they are in – a lot of times to provide the service to the quality that is required does not make money. We have a turnover of \$50 million. About 30 million of that is from our children’s services not-for-profit business. Our budget that we just put to our board a month ago had a surplus of \$27,000. It could hardly get more breakeven. So I know that to provide a high-quality service you actually can’t make money.

DR CRAIK: Do you have ratios higher than the NQF?

MS UDY: Not so much ratios but staffing qualifications, definitely higher qualification. I mean, we already know that any service in New South Wales that’s operating under the grandfather clauses of the New South Wales regs is operating higher than the national requirement because of the requirement in New South Wales to have a teacher where there’s 30 or more children or 40 or 60.

DR CRAIK: One of our recommendations is that the NQF ratios ought to be standard across the country and if the NQF is agreed at a certain ratio it ought to be standard across the country, particularly if – and if governments are going to subsidise things, that the federal government is going to subsidise things, it’s unlikely, I would think, that because a particular state chooses to take a different tact that the Commonwealth would add an additional subsidy.

MS UDY: So again I come back to my point, are you providing early childhood education and care or - - -

DR CRAIK: Well, I guess we can go to the COAG regulatory impact statement. It actually said that it’s almost impossible to tell the impact of particular qualifications on the outcomes and that it was uncertain. Let me read it to you. It concluded that:

While research suggests that qualification levels have an impact on educational outcomes, the optimal standards and quantifiable differences in education outcomes associated with different levels of qualifications is unclear.

That's the research we used. So we go on the published research. Certainly we take into account the comments that people make. A lot of people have been saying what you've been saying. I guess our concern is it would be really useful if there is research available that people are aware of that they can show us, we're very happy to take that on board; we certainly are. So if you've got any further information, we'd be very happy to take that on board.

Thank you very much, Gini, and we'll look forward to talking with you more. Thanks very much.

Our next person is Leanne Gibbs. Leanne, if you'd like to state your name and position and organisation for the record, and then if you'd like to give a brief opening statement, we'd be happy to hear from you. Thank you.

MS GIBBS: Thank you for the opportunity to make this statement and to address your questions. My name is Leanne Gibbs and I am CEO of Community Childcare Co-operative New South Wales. Last year Community Childcare celebrated 35 years of advocacy and service delivery in the education and care sector. Our work as the New South Wales Professional Support Coordinator, an RTO, a publisher, a provider of education and care services and professional development means we interact with all education and care services in New South Wales.

We're also an advocacy and peak body for the community sector, 1895 members strong. Our members are made up of 30 per cent for-profit services and 70 per cent not-for-profit. Our values and principles, just like our members, are driven by what is best both for children and the community. We're interested in the expansion of the education and care sector and also for children and families to have access to this care at the highest quality level. We do not believe education and care are mutually exclusive and we believe that separation is disingenuous.

The principle that drives these comments and our response is that the focus of public policy for education and care or childcare and early learning must be children. In the spirit of the principle I'll address the issues as they relate first to children, families and communities; and I'll be brief. Also thinking that the report is 900 pages long and so if I've made any wrong assumptions, then we'll correct these in our submission.

In general, we feel encouraged by support for the National Quality Framework, the recommendation for ongoing funding of universal access and attention to improving outcomes for children and families who are disadvantages have additional needs in children from Aboriginal and Torres Strait Islander background. We do see, however, that some of the recommendations made in these areas will not deliver anticipated outcomes and stem from a deficit model.

Our strongest opposition is reserved for recommendations relating to qualifications for those who work with young children, the tax implications for not-for-profits and the

separation of education and care with preschools being taken out of the National Quality Framework. There are also issues around the solutions proposed to address supply.

I'd just like to start with the qualifications for working with children under three and quote Professor Margaret Sims who says:

The experiences children have in the first three years of life lay the foundation for lifelong learning, development and wellbeing.

I do have a host of research that we will supply in our submission but I won't quote now. Aside of Margaret's expertise, I can also speak to you as the CEO of a registered training organisation that delivers the Certificate III.

We're meticulous in our teaching and our sign-off of trainees and students of Certificate III but we can only legally demand the requirements and competencies of the course level. In looking at two of those areas under skills, graduates at this level will have a range of cognitive, technical and communication skills to select and apply, specialised range of methods, tools, materials and information to complete routine activities and provide and transmit solutions to predictable, and sometimes unpredictable, problems. Then in the application of skills and knowledge, graduates at this level will apply knowledge and skills to demonstrate autonomy in judgement and to take limited responsibility in known and stable context within established parameters.

After 30 years in this sector, I can tell you that there is no predictable and no stable context in an early learning program with very young children. The complex world of young babies needs sophisticated knowledge and skills, confidence to apply this and respect for the fast-developing brain. Children deserve the very best at this critical time but so do, more often than not, young educators. This recommendation places both babies and educators at risk.

Very briefly, the recommendation on placing recommendations within the education system and removing them from the National Quality Framework is also problematic. The goal of a nationally consistent system is partway to being achieved; and we'd like to see that fulfilled. There are a range of reasons why preschools should remain within the National Quality Framework. Children are less likely to miss out. The interaction of government departments is more streamlined. Families will find it easier to navigate a system. So when all of the players say, "You can expect a quality early education here," whether we are a long day care centre or a preschool, one system ensures this happens, just as it does in the formal school setting. It doesn't matter which school you attend, the components of the system are common and are regulated.

Removing preschools from the framework exacerbates the divide between care and education and it will inevitably privilege one over the other. Children will benefit greatly from quality environments that do not create a false divide between education and care and ensure their teaching and pedagogy is present in all aspects of their day.

Then just the last one that I want to address is the recommendation for state and territory governments to remove eligibility of all not-for-profit childcare providers to payroll exemptions. And we just heard you discussing that. The Productivity Commission found limited reduction in fees as a result of tax concessions for not-for-profits, but deeper analysis

and further investigation is needed and we'll provide this in our submission. Our analysis of the results for New South Wales under the National Quality Framework shows the not-for-profit sector achieving greater numbers of exceeding outcomes and fewer working towards in the ANR process for the National Quality Framework.

Inconsistency in rating aside, we would see that these exceeding results come as a result of characteristics of quality relating to higher than regulation qualifications, ratios, proactive approaches to inclusion, providing for children with additional needs, investment in community support and also a commitment to professional development and building the leadership of the service. Evidence gathered throughout our training and leadership shows that leadership and professional development are key to establishing and maintaining quality services and pursuing the best outcomes for children.

Before I address your questions, I would like to acknowledge that the draft has been considered in terms of our submission where we advocated for a system with a focus on children's wellbeing and outcomes. This system is based on inclusive, socially just, community focused education and care that imagines a great future for Australia. When a system is established solely on a competitive marketplace, decision-making must ensure a considerable profit. As Eva Cox, who's following me today, has stated, we need to plan and fund services that meet the complexity of parental needs, community needs and workforce needs as well as – and I would say foremost – the good of the child.

DR CRAIK: Thanks very much and thanks very much for your detailed submission you gave us in the lead-up to the report. I guess the first issue, the not-for-profits, I'll just raise that one with you. I'm just interested in your further analysis that you're going to send us and the tax concessions you're going to send us in your submission. I guess the question is, would you see that in any way that the top-up subsidies for disadvantaged children or the subsidies for the children anyway and the whole range of subsidies could be used to replace those concessions?

MS GIBBS: The proposals for the top-up subsidy?

DR CRAIK: Well, I guess the proposals generally but including those proposals. Could you see that if the concessions were removed that those other – the proposals that we have could replace those costings?

MS GIBBS: I think we would have to do more modelling on that and take a look at it. Maybe that's possible because, as I've said, I'm talking about those services more likely to take children who are from disadvantaged backgrounds or with additional needs. So we would do the modelling on that and we'd certainly commit ourselves in our submission to doing that.

DR CRAIK: Because it'd be interesting to know whether those proposed arrangements that we're talking about would actually replace those.

MS GIBBS: Yes, it would be very interesting to see that. We'll certainly do some of that work to make sure that you have that information.

DR CRAIK: That would be good. On the subject of preschools, it's interesting because right now Western Australia and Tasmania, as we understand it, the preschools in WA and

Tasmania are not covered by the NQF. The stand-alone preschools in the Northern Territory are covered by both the NQF and the Education Department. We had some submissions from organisations in Queensland who are providing childcare who complained about the duplication and uncertainty, whether they were under the NQF or whether they were under the Education Department and/or both and really seeking rationalisation. I guess what we were intending was not actually trying to separate education and care. We're not trying to make that distinction with our proposal about stand-alone preschools, but trying to have a consistent pattern of regulation and reduce duplication was the actual aim.

I guess if anyone can come up with a better way, because right now preschool is a really difficult issue to tackle because you have preschools attached to schools, stand-alone preschools and preschool programs delivered through long day care. We're not suggesting the delivery modes change, but trying to find some kind of overarching package that retains the links to school, which you want, from the preschool program and retains the elements of the program.

MS GIBBS: We certainly saw that that was one of the challenges that you had in working with different jurisdictions. I suppose New South Wales is a little bit different. We have a - -
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DR CRAIK: Every state tells us that.

MS GIBBS: Yes, that's right, because we're all special.

DR CRAIK: Yes, that's right.

MS GIBBS: But there are significant numbers of community-based services in New South Wales and that probably makes us somewhat different. But I think that the clarity around the implementation of the NQF has always been there. Our state government has been very firm in saying that this is what is the system that all services will operate by and the early years learning framework is also the framework under which all services will conduct their pedagogy and their curriculum. So I think that our state government has been very firm in that. So maybe it's a little bit clearer to us. I also think that we do things really well in New South Wales. So maybe we could be the model for the rest of Australia.

DR CRAIK: You'll be surprised to know that every state tells us that too.

MS GIBBS: No, I'm not surprised. We're a state organisation that works in a national program and we're often disputing who's the best.

DR CRAIK: Do you actually support the National Quality Standards?

MS GIBBS: Do I support them?

DR CRAIK: If the New South Wales ones are better and you want us to recommend them -
- -

MS GIBBS: I'm just saying that the way that we actually implement them in New South Wales is better. I mean, the standards within the National Quality Framework are fine standards. Although there might be some tinkering that needs to make those more

streamlined, they're certainly a great standard by which all services in this state are now operating under.

DR CRAIK: But if New South Wales has higher ratios.

MS GIBBS: You mean within our regulations output?

DR CRAIK: Yes.

MS GIBBS: Yes, that's definitely – I mean anything that's good for children, that's a better outcome for children, should be maintained. Why would we go to the lowest common denominator?

DR CRAIK: But, on the one hand, you support the NQF, but on the other hand, it's the lowest common denominator?

MS GIBBS: Well, I support the NQF as it is expressed in New South Wales, which is at the moment we retain our standards. It's not that much that's that different, it's just that it's where it counts within the qualifications and within the ratios. We were the first state to take our ratios for babies down to 1:4. I would say therefore we have the best care and education for young babies.

DR CRAIK: In relation to the qualifications of the people in long day care centres for the under threes and our proposals, if you look at the actual ratios under the NQF for under threes, I think it is, and if the centre has less than 25 children, there's a requirement for a teacher 20 per cent of the time. Now, if children are in those centres for an average say two or three days a week, which seems to be the sort of common number of days, the teacher is there 20 per cent of the time. That'll work out at one day a week. The children are there two days a week. The chances of the teacher and children interacting or actually running into each other are relatively small.

MS GIBBS: I think running into each other is probably the significant point there. In those services generally it's not about them having that face-to-face time 20 per cent, it's about them having an influence on the program and what's delivered in the service. This is certainly one that probably doesn't make a whole lot of sense when you're looking at it from the outside. But I suppose it's a starting point to having a stronger regime of qualifications within those smaller services and also trying to take care of the economic issues of higher fees as well.

DR CRAIK: Your comments about Certificate III, what are your views, I suppose, on Certificate III relative to diploma for that age group? Relative to diploma qualified.

MS GIBBS: So would I say would I prefer a diploma-qualified trained person?

DR CRAIK: Well, I'm sure you would say you'd prefer that.

MS GIBBS: I think that in terms of qualifications and training, if we value qualifications and if we value training, which we do seem to value in other sectors and other professions, then why wouldn't we value it when we're talking about young children? So, yes, of course I would prefer that we have higher qualifications working with babies, a mix of qualifications,

because that's actually about developing a professional workforce as well. So I believe that a mix of qualifications in educators working with babies will actually lead to better outcomes for those babies and we will provide that research that shows that as well.

DR CRAIK: In relation to children who are disadvantaged or have additional needs, do you have any views on what we're proposing in relation to the top-up subsidy and the inclusion support programs? Do you see them as useful?

MS GIBBS: I think that some of the proposals – I mean, I think, again, anything that is giving greater attention to children with additional needs and children from disadvantage is worthy of deeper analysis. Whether those proposals actually facilitate that and facilitate inclusion, I think that's what's up for question and that was in my opening comments. I think some of the suggestions around – for example, Ginie talked about putting in a ramp. That's a short-term solution in a way. I mean, it's a long term over time and can be used over and over again.

But in terms of increasing capacity in that service and preparing for children, which you can't do just once because every child presents differently, and that might require different skills and different knowledge. So I think some of those things go towards it but it would be in looking at the minutiae of that and then breaking that down and seeing whether that actually had made a difference. We provide professional support within the inclusion professional support program and work in collaboration with our ISA and IPSU partners. I guess what we know is that it is really strong professional development and support over time for the educators who are working with children and for the leadership and management of that service. So sometimes the idea of sort of top-up subsidies – you did say that you didn't just have to apply for those once-off and that would certainly be welcomed.

DR CRAIK: I guess what I'm trying to get at, even though all the detail of this has to be – the minutiae has to be kind of worked through – in principle, that sort of approach is not unreasonable I guess is what I'm trying to establish, whether it is or whether it isn't.

MS GIBBS: I think the principle of the approach is not unreasonable but I don't think I could say at this stage that it's exactly what is the solution.

DR CRAIK: I guess it would be useful in terms of us trying to respond to the comments on our draft if we can get sort of indications from you about the sort of costs that are involved in children with additional needs, the kind of duration and how those costs play out, so that we can get an indication of what would actually be required.

MS GIBBS: When you say "required", what do you mean?

DR CRAIK: When a childcare centre has children with additional needs and the sorts of costs that are required that your centre incurs in supporting those children I guess is what I'm getting at.

MS GIBBS: Yes, we'll provide that in our submission.

DR CRAIK: Because I think that'd be very helpful to us to get an idea of if what we're proposing is actually going to work.

MS GIBBS: Yes.

DR CRAIK: That's good. Thank you. I think we've just about covered all the - - -

MS GIBBS: There does in the report talk about there's not enough known about the financial information on not-for-profits; that was something that was mentioned. I was wondering when you're talking about insufficient information – because this is obviously what decisions are going to be made on – what is it that is not available to you?

DR CRAIK: What we don't understand is the level of tax concessions that not-for-profits get from the government, the amount that's involved in tax concessions for not-for-profits.

MS GIBBS: For individual services?

DR CRAIK: We'd like to know as a gross amount I suppose, but for individual services would give us an indication. The other area that's quite useful to us is – because we understand the costs of looking after children vary by age and on the information we have looks like the under threes are almost twice as costly as the over threes. So any information on those sorts of things would be useful and the costs of, as I mentioned before, servicing a child with additional needs would be – providing services for a child with additional needs.

MS GIBBS: So then it's looking at whether those top-up subsidies then will account for those things if – yes, because I do know that not-for-profit services are very happy to open up their books and demonstrate how they're using their income. I mean, as Ginie said, the budget that she's put forward has only a \$27,000 surplus. I think in the small number of services that we operate, but also within our membership, we would see the same thing.

It's just really important to understand that community-based services see themselves as a community asset and everything that is over and above their budget does go straight back into the service, whether that's to take services up over ratios regulations, because it's a commitment to the children of that community and also to the wellbeing of children.

DR CRAIK: I guess the question is, if services choose to provide greater level of service than say is prescribed by the NQF or a basic level of service, I guess the question is, should the taxpayer subsidise that, I suppose is the question. If parents choose to pay, that's fine.

MS GIBBS: I think it's a good question. But then, as you're saying, if parents choose to pay it. So we can be then developing systems that families from disadvantaged backgrounds in particular areas get one sort of education and care and families in other areas get another sort of education and care. I guess the position that we're coming from is why are we looking at – I mean, yes, regulations are good and the standards are good. So we want to work within those.

But what we're looking at is a better outcome for children. So why are always kind of working to that lowest common denominator? Why are we always – I know economically that's the best way to go, but why are we always looking at that? That's for the here and now. Let's think about the future.

DR CRAIK: I guess from the government's point of view, governments might be prepared to subsidise a certain amount that would provide a kind of basic agreed standard. But

governments generally tend to be reluctant to subsidise a higher level, I suppose, unless there's - - -

MS GIBBS: Well, that's true, and I guess what's important is the government sees itself funding for good community outcomes and, I guess, not necessarily for the profits for some other organisation. So I hear what you're saying. But what I'm saying to you is in terms of the community sector it's going back in. In terms of a full profit, it's actually for the profit of that service. I mean, I don't really understand some of the arguments around whether we should be funding at higher levels of regulation or not, because we seem to be keen to fund higher levels of profit.

DR CRAIK: I think the government would see that funding – if the NQF is agreed as the national standard, then the government would contribute funding towards that. But I'm not sure that if services would choose to offer higher levels of service that governments would see that it was their role to fund that.

MS GIBBS: I understand that. So is it better to offer a higher level of service for children's wellbeing or is it better to offer a service at the lowest common denominator for greater income for the services offering it?

DR CRAIK: I don't think that's a judgement for me to make.

MS GIBBS: Maybe it's a judgement for the community to make.

DR CRAIK: I think it's a community judgement. Those who were elected by us to make those judgements make them rather than me. I think we've pretty much covered all the elements I wanted to cover from your comments, Leanne. That's been very helpful and we do look forward to your submission, particularly on those pieces of information that'll help us fill out the queries we have, particularly about children with additional needs. Thanks very much.

MS GIBBS: Thank you.

DR CRAIK: Our next person appearing is Eva Cox. Welcome, Eva. If you could state your name and position and organisation for the record. If you'd like to make a brief opening statement, we'd be happy to hear from you. Thank you.

MS COX: My name is Eva Cox. I'm a professorial fellow at the University of Technology Sydney working in the indigenous research unit, but I have a very long record in the area of childcare which goes back more years than I care to remember. My interest is as what might be described as a sort of policy one; I've always been involved in the policy areas as a lobbyist, as a service deliverer. I was responsible for setting up the Labor Party policy under the Hawke Government. I've actually worked in the bureaucracy in the children's services area and I've been an advocate for a long time.

But I'm also a researcher with a very strong background in what can be measured and what can't be measured, which is why I sort of at one stage said you have a lot of faith in the fact that things can be measured, but actually a lot of the things that can be measured – I'd like to use that as an introductory point – is a measure of anything that's social is actually extremely difficult. One of the reasons that economists run to economics is they think they

can find formulae and they think that they can actually predict human behaviour. But economics, like all the rest of the social sciences, has a very broad capacity to predict probabilities and not definite outcomes. And it's something that I think needs to be actually considered when we're thinking about some of these things.

I used to teach my students if you don't know what the answer to the question is, you do qualitative research, and if you do know the answer, you do quantitative research. In many cases we do quantitative research and we don't know the answers and the result is we do bad research. I used to teach research methods.

I thought I'd open up by sort of saying one of the real issues I have with the report – and you probably know that because you've probably read some of the things that I've written about it – is that your aims for the report – and I think it came out quite quickly with Leanne and, to some degree, with Ginie's stuff – is whether or not children's services is a community service or an economic service. Almost all the times that you mention what the benefits are they tend to be in terms of increased GDP. GDP is a very limited measure. It improves when you have high levels of crime and bushfires. So it's actually not something you necessarily want to promote. There's a lot of arguments as to whether it's a good measure of progress.

Yet you talk about this in terms of women in the workforce, their capacity to contribute to GDP and you talk about the services to children in terms of making them better deliverers towards GDP when they actually grow up because they are more likely to be in the workforce, quoting a gentleman called Heckman – I think it's quoted all the time as being the person that proves this happens. This means it's lost its capacity – and I think this is a serious issue for a lot of the people that are here today.

Children's services when I started in the area of children's services – and I was one of the first people to sort of try and promote this in the 1970s – was the idea that this is a community service. I think it picks up on a lot of the points that Leanne was making about what the objectives are of the service. One of the points I've just made a note about is that actually when you were talking with Leanne, the last interaction that you had about talking to Leanne, is you were saying, "Okay, people decide to provide additional quality of care, then it's not up to the government to actually provide for that." I think that's a really interesting comment, that if they want to go above what the government says is appropriate. Because that makes an assumption, which is one of the problems with running a market model of childcare, that there is a relationship between capacity to pay and need.

I think in this particular case there isn't. Very often the high need areas are the ones who have the least capacity to pay. That means the government offers subsidies but only up to a level that they see as basic and necessary. They do not offer a subsidy above that level and they cannot offer a subsidy for the small local differentials and things like that which are very often important when you're actually running a community service. So I think there's a basic flaw in the idea that you can contain that. I think the debate that you've just been having about the role of the not-for-profits is very interesting because when you've got a group that is committed to the needs of children, they go for higher ratios, they go for better services and it's actually in your things here as a proportion of the staffing, et cetera. They do not go for profits. I think you've got two very contradictory systems operating in there and I don't think your report actually acknowledges it.

I must say I'm somewhat disappointed in the report in the sense because I don't think you are actually being particularly rational in the way you come to your conclusions. One of the claims that the economics make is that they're rational – and I've actually got some doubts about that, but that's another question. But I think the problem is – and it comes through rather clearly in the area where you actually dealt with my original funding, which I think is in appendix K, if I remember rightly, which is the idea that supply-side services are actually – which is what I was putting up which is the idea when government purchases a service, which is the model we had up to 1996 when the operational subsidy was actually withdrawn – that the idea of supply-side funding was wrong. Well, it's not wrong, you actually have a whole appendix there where you have a whole list of things which I've actually got here which is why supply-side funding is better, including an OECD report which said it provided more equity and various other advantages.

The fact that it runs right through Europe, the fact that it is available, the fact that it can deliver much more security and ensure that because of the government has a direct relationship to the service provider that the service provider can do things like flexible hours, additional places for small children, all of the things that are in short supply, and all of the problems that we are having of the consumers, which is one of the main incentives why the government actually pushed this particular thing, that they can all be solved within a supply-side model. But they cannot be solved within a demand-side model.

Yet when it comes to the point after you've run through a whole lot of things – and I've had this in the article I put into the conversation – all of the reasons why supply-side funding was good, the only argument you could put for demand-side funding was the fact that it gave parents more choice, which is a load of rubbish because the bulk of parents who actually look for childcare have very little choice. I know that's my experiences of my grandchildren and various other people in inner city Sydney.

But it is interesting. One of your own studies, I gather, showed that people from Western Sydney where there are cheap childcare centres available and spaces bring their children into the inner city because they can't get back to the outer Sydney services in time to pick their children up. So the system we have at the moment, because supply is less than demand in so many areas, doesn't work as a market. I would expect the Productivity Commission to be rigorous enough to actually acknowledge that. And it is not acknowledged anywhere in your report that there are actually flaws with the market model in this area. I would be interested in your responses to that because I do think that's a serious deficit.

The other problem you've got of running a market model, particularly with a GDP outcome, is I think it completely undermines the idea that children need children's services. If you say that children who do not have a work-related need from their parents, unless they can get a certificate saying either they have a deep deficit or their parent has a deep deficit, which particularly more working class and Indigenous parents will never do because they are scared of being classified in that particular way, they will not be able to get access to children's services. So the group of children that in some cases need this most will actually end up being out of these because they're just not going to turn up in that sort of thing if they've got to be labelled in order to access services if their primary carer is not in the workforce.

Excluding those children means that this has become entirely an economic service and has lost its legitimacy as a community service. I think that that's something which actually

does need to be addressed, because there was never a decision made to make this a market model. I've got the original report from NIPAC(?) in 1996 which I contributed a paper to which they didn't pay much attention to where they actually switched – because that was the time when neoliberal models were actually dominating that, and I do a mea culpa because we went along with it to some degree because we actually thought that was one of the ways of getting people to listen. I think we made a mistake because we actually need to defend the idea that a community service has a value because it connects with the community, because it's part of the community, because it provides for particular groups within the community that can't operate effectively within the market model. And that is completely left out of this particular area.

So yes, you will actually be able to – you were saying we will provide services to children who have specific needs. But they're going to have to find a piece of paper to come in with that particular need and be diagnosed. I saw some of the stuff that I think in the West Australian model where you were asking services to give you the criteria so that you can judge a child with a deficit model. We did some research – actually I think it was when I was working with SDN – where we looked at why Aboriginal parents don't use children's services. One of the arguments that came back was from a mother who said, "I don't like going there." "Why not?" She said, "Because it's the look we get. It's this sort of look when they look down at our children and say, 'Oh dear, here comes another deficit.'"

I think we've got to remember that for people who are disadvantaged that trying to prove that they have a deficit is actually incredibly demeaning and undermining in all sorts of ways. So I think we do really need to be much tougher on what that's about. So I think all children need access to children's services, often from quite a young age. If a parent wants a break from a child or the child would have more social and other sorts of encounters, the child should be in a children's service and you should not have to get a label in order to access children's services.

The idea of 15 hours only in the year before you get to school is really a lot less. Years ago three-year-olds went to preschool for five days a week. Now you cannot get a three-year-old in in most cases, particularly in New South Wales, and you certainly don't get five days a week even for your four-year-olds. So these children are actually missing out on a whole lot of social and developmental needs that were served by a much looser system because they've been tied up in the funding.

The attitude within it on the not-for-profits is really bizarre. The constant complaint that you can't send off price signals in order to get social things because of your subsidies and you use donations and you've got other things to reduce fees indicates the hardline economic model instead of the community model, because obviously offering a better level of service for children is to the benefit of children and the community at large. We are getting a large amount of profit coming into the not-for-profits I've quoted in the notes I send you about the G8 acquisitions and G8 and all the things there. They're getting very large profits out of it.

The main benefit that's often quoted for switching from the original model, where both capital and operational costs were being provided, was that we would get the money out of the private sector and it would save the government money. Yes, we don't put capital money in but, I think, if you actually estimated what the costs are of the repayment of capital that is now built into the fees of most of the not-for-profits, you would find that we would probably be better off providing some capital in the first place than constantly paying for quite

excessive rentals and quite excessive profits being made in terms of the buildings, because quite a lot of them are separately funded for the buildings and for the actual childcare services and the rents are quite high, if you go through some of the things there.

I honestly think you have not, in your report - and I said this, I think, in the things there - actually met the particular guidelines that you're supposed to be looking at of improving access, flexibility, fee control and the various other things. Some of the things you propose for combining the fees I don't have a problem with. I do have a problem if you actually assume that, just because people have a high joint income, it's not important to look at the primary-carer income earnings. I know you're proposing they can do that but that could easily be wiped out, that 30 per cent.

I think women who are in the workforce assess their costs on their own incomes, not on the joint incomes. You hear very women saying, "It's just not worth my going to work, in terms of what I get," and, I think, if that is omitted, you will not get your extra women in the workforce, particularly in the higher-income areas.

I don't think you've got more flexibility. There's nothing in here that talks about more flexibility and, if you're talking about the right for choice - I mean, why is it, with a very large private-sector group of services, that very few of them stay open longer than 6.00 or 6.30? There's a report recently on flexibility which indicates they close at the same sort of time as everybody else; so they're not meeting the market demands, and yet people want more flexibility. There is a serious problem about that. You are not going to be able to do it by providing nannies.

I have a serious problem with nannies, and one of the problems I have with nannies is the basic idea behind funding, from the 1972 Childcare Act onwards, is the idea that it actually guarantees a quality service. You cannot guarantee a quality service if it is totally privatised. I know we have a private-care system attached at the moment to other sorts of services but the idea that any person in a household, whether they've got a Cert III or not, and I think the point Leanne was making about the limits of Cert IIIs are really important, would be able to offer a guaranteed quality of care which merits public funding, becomes very suss and very dubious in order to do that.

Just a point on Cert IIIs, I remember when we actually went through all of this (inaudible) there, if you look at TAFE qualifications, they're actually about competencies. Diplomas add in a bit more than competencies and come closer to the idea of professionalisation, and universities actually have professional degrees. There's a completely different approach. A competency says, "You know how to do this particular act"; it does not teach you how to evaluate a child's needs, it does not teach you enough about child development to actually make any sort of serious difference in your capacity to assess children's needs.

A competency is a routinised test - I mean, quite apart from the fact that there's a whole lot of Mickey Mouse Cert IIIs around that we all know about - but I do think we actually need to recognise that, even a Cert III delivered by somebody pretty good, is going to be fairly limited in what it can do.

I do think that the danger of funding nannies, except if they are run through an existing service and closely supervised, does undermine the whole idea of quality care.

Therefore, I think what you need to do is have a system, and that's why I was suggesting we went back to a supply-side thing. You'd been talking to it - SEMI(?) - when you were talking about the possibility of offering grants, and it does exist in the budget-based services, which - I am also concerned that you need to recognise that they need to stay there; you cannot try and phase them out because they do not work in the sort of communities that they're part of. I think the question is, if you fund a service to deliver a range of services to the children, you can ask that service - you don't have to fund it all; it can be 20 per cent, which is what the last amount was. You can ask that service, as part of its existence, to make sure it provides for the under-twos, you can ask for it to provide longer areas, if it's an area where there's a demand for longer hours, you can ask for it to do other things which are necessary in order to meet the needs of parents for accessibility and flexibility, and the particular needs of particular children, because, if you only fund an additional amount per child, as, I think, both Ginie and Leanne outlined, this does not allow the centre to adapt itself appropriately for those children.

The reason that the budget-based system works is because they can actually make decisions on what is needed within that community. That's one of the other things that I think is missing out of that sort of model because, I think, by trying to constrain things, you make no possibilities available for, in a sense, the idiosyncratic (inaudible) centre. A good centre will idiosyncratically reflect the needs of its particular community. That's why you run fundraising, that's why you get donations, and that's why the tax-deductibility gives people some discretion to make their own decisions.

I think, if you're really concerned about the freedom things, you really do not need a service which is so prescriptive that you cannot meet the needs of particular services in particular ways. The per-child system that you have at the moment tends to undermine that because it doesn't recognise the differences between the communities that they are part of.

I think they're the main sort of points that I was trying to make.

DR CRAIK: We've got a few minutes left for questions. Thanks, Eva, and yes, we had read your comments in the conversation. Just a couple of comments. First of all, I think, probably you've got a fair comment when we talk about the supply side when we evaluate and we don't spend a lot more time in saying why we didn't use it, why we didn't recommend that sort of approach. I think we gave, perhaps, more reasons than just one but, frankly, given the nature of the system we have, going to a totally supply-side system from now would be incredibly disruptive and - - -

MS COX: I don't think I suggested a total supply-side system. I suggested a partial supply-side system, which would give you some control, at least, over some of the areas. I do think it was rant dismissed. I think it's because you are who you are; you actually see things through the eyes of an economist.

DR CRAIK: It's not bad for a fish biologist, I suppose.

MS COX: I think it limits your capacity to see the virtues of non-market interventions, and I think that's why you dismissed it. I think the sector needs non-market interventions and, I think, if you're seriously concerned about the children of Australia, you ought to take that into account and not just push it away because you have - it's written entirely from the point

of view of what suits the business, not the not-for-profit sectors, and that's a real problem.

DR CRAIK: That's not the intention.

MS COX: I know it's not your intention but I'm just pointing out that that's what it reads like.

DR CRAIK: That's your perception.

MS COX: I think, not only mine.

DR CRAIK: That's probably true. The intention really was, firstly, to - we had two objectives, one of which was child development and the second one was workforce participation, so we had to deal, actually, with both objectives at the same - - -

MS COX: What about the community?

DR CRAIK: Child development was - - -

MS COX: That's not the same as the community.

DR CRAIK: I didn't say it was. What I was about to say was that good child development enhances social capital in the community. We had the two objectives, and those were the objectives that we were given to work with. We can't add on other objectives to our task.

If I can perhaps just respond to a few of your comments, in terms of our discussion on why we didn't take a more supply-side focus, I think we'll certainly pick that up and expand on it in the final report but, obviously, one would be the massive disruption at the moment, secondly, although there are problems with vacancies and people finding care, we do believe that the current system does provide parents with some choice, and we hope that, in what we're recommending, it will increase that choice.

The other issue is - - -

MS COX: How? How will your stuff increase choice?

DR CRAIK: Can I just finish for a sec? The other one is cost. I think the cost of - the government's taking over more of a supply-side approach. I think we have - contrary to what you suggest - suggested greater flexibility.

You make some comments about for-profit centres not staying open. I think not-for-profit centres found themselves in the same boat when these flexibility trials were conducted; people didn't actually want to have their children in long day-care centres after regular hours. So, as far as we understand, most of those flexibility trials where centres were staying open longer hours have actually - some centres have actually stopped offering them because they weren't actually being taken up by parents.

MS COX: Yes. I realise that and I know that, when we ran some 24-hour trials earlier, they didn't necessarily work but I do think that there is the capacity to sort of do add-ons that actually might make it easier for some parents, when you've got a group of parents who do

need it - that they need the extra thing - I don't think you can just declare a centre is running a flexibility trial, it doesn't work, but being able to be more responsive - I mean, the whole argument for demand-side things is the ability to meet parental needs and, if they're not meeting parental needs because large numbers of parents claim - and bring their children into the inner city, which is overcrowded, because they can't get home in time - there is an issue there but it's not an issue that's addressed.

DR CRAIK: I think it might be. One of the things that we did suggest in our report was that you could remove the hour limitations, the maximum and minimum hour limitations, on long day-care centres which currently exist and which, currently, centres are required to - so we suggested removing those out centres. We also suggested removing the caps on occasional care because that - when those places came up for reissue, they were many times oversubscribed, so, clearly operators see there is a big demand for them. Nannies was another way of us suggesting that there be more flexibility and more availability for people
- - -

MS COX: But there is a quality issue. Do you recognise a quality issue?

DR CRAIK: I guess, if you regard Certificate III as inappropriate for - or insufficient for nannies, then Certificate III might be regarded as inappropriate for family day-cares as well, because that's the requirement for family day care.

MS COX: There's much more supervision in family day-care than there is in the nanny system.

DR CRAIK: That may well be true but I think it remains to be seen, the sorts of qualifications and the way the nanny system plays out, because we would imagine that, certainly, a lot of the nannies would be provided through agencies or through current long day-care centres adding to their range of services, or through nanny agencies.

MS COX: From what I know of family day-care, they also organise group activities for the children and they bring people together and various other things. So, unless you've got somebody organising that for the nannies - I mean, a Cert III is fine on one level but it's not in terms of providing any sort of program or any sort of activity-type stuff of any substance, which is often an assumption people falsely make about their capacity.

DR CRAIK: Your comments on the 15 hours of preschool - that was the number that was agreed under the universal access arrangements. We've been unable to find any work which suggests what the desirable, appropriate, best number of hours of preschool is, and, in fact, I think - there's a variation in hours in various countries, from zero to, sort of, 30 as a kind of desirable but nobody seems to have a fix on - - -

MS COX: You can't do it.

DR CRAIK: - - - what the most optimum number of hours is. You were suggesting that there should be more than 15. Maybe there should, but - - -

MS COX: No. What I was suggesting is that all children need access to children's services, and pushing the non-working children - the parents with non-working needs - - -

DR CRAIK: Non-working parents.

MS COX: Yes - out of the system means they're not going to get into that system and they can't get into the preschool system because we've got them jammed solid with the 15-hour things. That's what I was trying to say. There used to be an alternative for the non-working parent but, now, because of the mandated 15 hours, we've filled up most of the preschool places with the four-year-olds for 15 hours, and the three-year-olds have no chance at all, let alone the two-year-olds. So, a parent who wants a break and the child who needs company, the child who needs developmental things and the sociability of that - children actually benefit from other children's contact, and they don't necessarily get that when they're with a parent. I just think this assumption that somehow or other a parent can meet a child's needs until it turns four, as long as they're at home, is not right.

DR CRAIK: The universal access for preschool - there is no activity test applying to the universal access for preschool.

MS COX: No, I know. That's what I said. I didn't say there was.

DR CRAIK: No. There are things like playgroups and there are things like crèches and all those sorts of things.

MS COX: No, they're not - they are playgroups but that means the mother has got to be with the child.

DR CRAIK: There are various crèches and there's quite a - - -

MS COX: What do you mean by a crèche?

DR CRAIK: There's a range of services that fall outside the National Quality Framework and outside the - - -

MS COX: "Crèche" is just another name for long day-care.

DR CRAIK: There are a lot of services that fall outside the range of subsidised - - -

MS COX: Like what?

DR CRAIK: As I've just said, playgroups, crèches, various - a range of services.

MS COX: Most of them require the attendance of the parents. The object of putting your child into a children's service is for the parents to be able to get away from the child and the child to be able to get away from the parents, and both of them need it. Some children do need space from their parents.

DR CRAIK: Yes. I'm sure some parents do too. On the issue of the activity test, one of the things that we've been raising, and it's really not clear how many people would actually miss out because they don't meet the activity test. I know a figure of 100,000 has been bandied around but it's very difficult to actually get a breakdown on the numbers of people, currently, who would not meet the activity test who would be - - -

MS COX: You got some when you went to Western Australia. I noticed people were naming the numbers in some of the country area ones.

DR CRAIK: Yes, for specific services but it's very difficult to get - - -

MS COX: Why do you want the figures?

DR CRAIK: Because we want to know whether there are people who would benefit particularly from childcare who would miss out; we want to know how many are likely to miss out under what we're proposing.

MS COX: Lots of them.

DR CRAIK: The problem is that - what we want to do is make sure that we don't disadvantage children who - particularly disadvantaged children, who would benefit from being in - - -

MS COX: Do you realise that, if you ask a disadvantaged mother, particularly - I know, for the Indigenous thing - but it's generally in poor communities - to actually legitimise their use of a centre by saying that even they're incompetent or their child has a problem, they're just going to run away?

DR CRAIK: We do understand that. What we're proposing for disadvantaged communities is that - and, particularly, Indigenous communities - we've proposed that there be block funding and, where there's a viable labour market, try and transition them to child-based subsidies, where - - -

MS COX: That's not a transition.

DR CRAIK: - - - because - then become self-sustainable and - if there's a viable labour - if there is not a viable labour market, we're suggesting that the block funding would continue to retain the services for indigenous communities.

MS COX: But you've got some weird thing there where you're going to subsidise the non-viable ones for only three years out of seven. What's the use of that?

DR CRAIK: What we're trying to do is, in rural and regional - in fact, rural and regional - some rural and regional providers that we've spoken to have come back to us and said that that would be very helpful, actually.

MS COX: Yes, because they get three years instead of nothing, but, I mean, that's - - -

DR CRAIK: Fluctuating child attendances is the reason that we proposed it. Regional operators said some years they have attendances that are down, other years, they're up; some have seasonable problems and - - -

MS COX: Wouldn't it be better to fund them on the basis of their demand rather than having a rigid three-out-of-seven figure?

DR CRAIK: The idea is that we're trying to get them to be self-sustainable through a child-

based subsidy but if it turns out that, in some years, for instance, it's not sustainable - - -

MS COX: But a child-based subsidy, in a lot of these areas, particularly when you're talking about some of the indigenous services - first of all, it means you've got to be registered through Centrelink, which is a major problem for indigenous families, and, secondly, the sort of processes of trying to get those subsidies and handle them with any of those areas is often quite difficult. Most services would actually prefer a lump-sum thing because it doesn't - - -

DR CRAIK: I've absolutely no doubt most services would prefer a lump sum - - -

MS COX: Isn't there a reason for it, though?

DR CRAIK: We've proposed that the funding go directly, the subsidy go directly, to the provider of the - - -

MS COX: Therefore, moving to supply side instead of demand side would not be nearly as disruptive as you say it would be.

DR CRAIK: It would certainly be a lot more costly.

MS COX: Why?

DR CRAIK: Because the government would have to foot the whole bill.

MS COX: No, it doesn't - I didn't say it had to do that. I mean, you're just - what I said is, if you have a partial supply-side subsidy, that you can still have a subsidy for the parental fees but at least the service knows that they're getting a certain amount of money and that there's a certain contract. It's the issue of a contract between the supply and demand. Why would you spend \$5 billion a year when you have absolutely no control over the availability of the service? There's a certain absurdity in that sort of thing. Even if you look at the aged-care stuff, they do actually specify where the services should be. Children's services is an exception about that.

It's a huge amount of money to be going on the basis of a parental choice and not on the basis of the supply side. There's a real hole in the system. That's why I'm actually - you know, we moved into that without even thinking it through clearly, in 1996. We've had 20 years of it and I think the 20 years indicate quite seriously that the children's services we've got now are not as good as they could have been, had the government retained some sort of direct-contract arrangement with the service provider, because, that way, they could have made sure that the services were where they were needed and available to the particular age groups and things that they were needed by, and keep some control over fees, because the fees at the moment are ridiculous at the upper levels. You only have to look at the G8 profits. Why are we giving them a subsidy which allows them to make a whacking great profit of 16 per cent or whatever it is? We're publicly subsidising - - -

DR CRAIK: Which is why we're proposing a deemed-cost approach to childcare, where the basic cost of a day - an hourly cost - are subsidised but at a reasonable level, but that frills on top of those basic costs are not subsidised - that's the approach - - -

MS COX: It just means that there'll be more and more services that people can't afford.

DR CRAIK: There seem to be enough people attending those services. I guess we have a fundamentally different approach about this, Eva, but certainly your comments have been very useful and we appreciate your coming along and your comments and we will investigate them more closely.

MS COX: I just really would ask you to think seriously about - I mean, I know we've got ideological differences but I think that we're actually talking about, here, some actually practical statistical differences and problematic differences because I think that there is a sense in which people are not prepared to look at the idea of any sort of proper contract between the supply and things and I think that it is actually something which needs to be considered and needs to be addressed. I know it's not specifically within there but, if you're serious about trying to meet the needs for flexibility, accessibility and all of the things - which is the primary aim - why this Inquiry was set up.

DR CRAIK: Correct.

MS COX: The government never would have set it up, apart from the fact that there were constant complaints from users about the fact that they weren't getting what they wanted. The only way you'll get what you want is not to empower the consumer because it's perfectly obvious in this area that the consumer hasn't got the power because, otherwise, these issues wouldn't be arising in the way they are. The only way you can counter that is by putting more power in the hands of that - setting up a series of - supporting the National Quality Framework - but you know and I know that you can set regulations up till the cows come home, people will manage to minimise them or breach them in all sorts of small ways. They do not set the standard which is appropriate for the consumer.

The idea that a consumer would choose a childcare centre in the same way that they choose a laundromat - it just doesn't work. You get your kid into childcare, you don't move them if a place down the road opens up that's cheaper because the kids got relationships with the teachers and the other children. There's a whole thing about relationships which just gets left out of this, which is why it is appropriate, even under your model, to assume that you need something more powerful than the individual consumer to determine what services are being available. The model just is not appropriate; it will always be second-rate. I'm just asking you to seriously think about the possibilities of having some sort of contract, whether it's a funding contract or not, between the supplier and the provider because I think that's the only way you can counter the fact that individual purchasers of services here are not putting their children into the cheapest laundromats.

DR CRAIK: Thank you. Thanks very much. We'll take your comments onboard. Thank you.

Our next appearance is from Gwynn Bridge from Queensland. Gwynn, when you're ready, if you could state your name, position and organisation and, if you'd like to make a few opening remarks, that would be really good. Thank you.

MS BRIDGE: My name is Gwynn Bridge and I'm the President of the Australian Childcare Alliance. The Australian Childcare Alliance represents the private long day-care sector but we also do have community and church members in our group, as well, and that's throughout Australia.

ACA members are extremely proud of our early childhood education and care sector. ACA and other peak bodies have worked hard to professionalise the sector and to be recognised for the education and care that does occur each and every day, and that daily routines are informed by the Early Years Learning Framework. We have early childhood teachers in our services, and the strength of our new training packages for diploma and Cert III are influenced by the outcomes of the Early Years Learning Framework and the National Quality Standards.

We support the government's decision to call for this review to examine all aspects of the funding models, workforce issues and the additional areas that are intrinsically linked to the daily ECEC procedures and to stakeholders. ACA is grateful that we have now been given the opportunity for all stakeholders and governments to put our collective heads together to determine the right outcome. ACA is concerned that a model generated in haste will again fail to deliver and add-ons will be needed in the near future to address affordability issues once more; thus destroying budget estimates.

ACA understands that budgetary measures are tight at the particular time but government must also acknowledge that ECEC has not had any additional funding, apart from natural growth, over the past several years and, at the same time, freezes on subsidies have increased financial pressures on families. With Australia's spend on GDP at 0.45 per cent, it has one of the lowest expenditures on EC, as a proportion of GDP, of any country in the OECD. The countries that are marked as best practice spend significantly more; for example, New Zealand, which spends 1 per cent of GDP.

ACA agrees that the government is moving in the right direction to cut unnecessary additional funding to particular sectors and to examine all subsidies. ACA believes that, if a planning model was introduced, a stronger control of growth would be established, enabling government to ensure that ECE places would be provided where necessary. Vacancy rates provided to the government on a weekly basis should be monitored closely to identify areas in need of supply and areas where seasonal or a downturn of usage is evident.

The past few years have been challenging for the sector, with the introduction of the National Quality Framework. This period has also been traumatic for families, as costs of ECEC have risen substantially and many parents have had to make decisions as to their workforce participation. Many of these decisions have resulted in more part-time employment. At the present time, we have a national survey underway with families; we only opened it on Monday night and, already, yesterday, we had 1600 families, and they're very keen to comment on the questions we've put in from the report. Rollout of the NQF continues and in 2016, with the implementation of the ratio changes, families will again be faced with increased fees. ACA suggests that this implementation date be delayed until such time as government has the ability to fund the changes and not inflict more financial hurt on families.

We also remind the Productivity Commission that the Equal Remuneration Order for increased wages up to \$17 per hour is currently before the Fair Work Commission, and the declared wage increases will be another impediment to families' participation in the workforce.

ACA has concerns with the proposed deemed rate in the draft funding ideas put forward

by the Productivity Commission. We are not convinced that this is the answer but ACA is committed to working with government and others.

At the present time, we have a survey circulating - I've just told you that. I have sent you through the areas where ACA has objections and concerns and also where ACA supports the PC draft recommendations. Leading areas were our concerns for families, affordability, access and maintaining early education and care outcomes for children. They are mostly the deemed rate - the funding models are children of a parent not meeting the work test, the second income earner, grandparent primary carers, vulnerable disadvantaged and low-income families, the issue of nannies, and sustainability assistance in the rural regional and remote areas.

Thank you.

DR CRAIK: Great. Thanks very much, Gwynn. We'll be very interested in the results of your survey.

MS BRIDGE: We can get that to you, yes.

DR CRAIK: That would be really good. I hope that's asking things like whether they think the deemed-cost model is good, useful, appropriate, that sort of thing.

MS BRIDGE: Yes. Weeding back, a lot don't understand in the first lot but we'll have time to go back with a short, simple one for where we see that they're not understanding what it's all about.

DR CRAIK: We'll look forward to getting that; that'll be good. In terms of the deemed cost, one of the issues you raise is the remuneration of ECEC workers and the fact that they've got an application before the Fair Work Commission at the moment. I guess the model that we suggested in the report was one where, initially, what the actual real costs of, say, a long day-care centre were, basic real costs of a long day-care centre, including some profit, and we were suggesting that it be automatically indexed in some way. Our initial thought on the indexation was that it be indexed to the wages of the ECEC workers, so that it would be - that was our initial cost and, for the modelling, we chose a deemed cost because we didn't have time to work all those things out. I guess, in the final report, we'll be trying to have a bit of a closer look at whether going to a deemed cost directly would be a sensible thing or whether trying to develop this kind of model would be a more sensible approach, so, any thoughts you have on that would be appreciated.

MS BRIDGE: Yes. We've seen our childcare benefit has absolutely devalued over the last 10 years, being linked to CPI. Then, if you link it only to wage increases, you're not catching the CPI part. That's one of the things that does worry us, how it's going to have its natural growth and keep pace with - you know, if there is a huge jump in something or other.

DR CRAIK: What we were trying to do was - because wages appear to be the highest component of the costs of running these centres, you know, anywhere between sort of 60 and 80 per cent, we were trying to link it to the component which actually made up the majority of the costs. That was why we actually selected wages in our discussion of it. Any thoughts you have on that would be really good.

MS BRIDGE: We'll have thought further on that, yes, we will.

DR CRAIK: We chose the median cost. You made a comment about the second income earner. Are you suggesting, a bit like Eva, I suppose, that maybe you might think about the subsidy in relation to the amount the second income earner earns?

MS BRIDGE: Yes. We're finding that a lot of the parents that are commenting, and this is coming over very strongly - and I've just taken a few of them out but it's childcare availability and cost, as well as rebate amounts. It should not matter, your income; the higher your income, the more tax you pay for the government and the economy - unaffordable childcare stops us returning to work. Another one said it's about their second income and they might as well go to Centrelink; and, that is right, they are measuring that second income against what it costs them to go to work.

DR CRAIK: Yes. We understand that, and the interactions between the tax and welfare system make it very, very challenging and it made it very challenging for us to try to find a subsidy system that would work both for children and for workforce participation. We did have a bit of a look at the second income issue and one of the criteria we had for the subsidy system was that it had to be relatively simple, that people could understand it. Once you start dealing with a second income, you also probably need to deal with the family income as well, so you end up with something like family tax benefit B.

MS BRIDGE: Yes. Actually, if you look at the CIS snapshot, the latest one, I think it is, it said:

The key problem is the multiplicity of payments, which, when overlap, causes complexity for families but more important are the perverse incentives caused by the overlap of payments and their interaction with the tax system. This creates disincentives to work for secondary earners in couple families, most of whom are women.

DR CRAIK: Correct. We would agree wholeheartedly with everything that you've said. There's only so much that playing with the childcare subsidy amount can actually fix in relation to that, because of all those other interactions and all of the other payments, the parenting payment, family tax benefit A, family tax benefit B, income tax. Once you start earning more, you get withdrawal of some of those payments. Yes, we would agree totally. We now have looked at the effective marginal tax rates of some of - the effect of the subsidy and, in many cases, it's improved, it's made it better for the families but it's not perfect, by a long shot.

MS BRIDGE: Yes. The ideal would be not to include that second income until it reached a certain amount. We've had discussions about whether it should have tax paid on it, and we think it should because that's the contribution that side, but we really do think that that's a depressing factor out there for mums, as well, they don't feel worth it, because they take the responsibility of the ECEC fees.

DR CRAIK: We've said we'll have a bit more of a look at that second income earner issue for the final but we really did want to reduce the complexity of the system. I'm not sure if we'll get too far with that one.

One of the issues you have raised is the capped viability assistance to rural, regional and remote. Is your concern there that it's capped or the fact that it's three years out of seven or - - -

MS BRIDGE: Three out of seven. I've got two letters that have been sent to me already, one from South Australia and one from Oakey, which is a small town, and both of them are the only services in the town. They just feel that there's no way - they're only surviving now because of the funding they're getting and - - -

DR CRAIK: They're on block funding now, are they?

MS BRIDGE: Yes. They've got sustainability funding now but they couldn't survive without it, not for - - -

DR CRAIK: These are long day-cares or family day-cares?

MS BRIDGE: Long day-care. They've sort of given me an overview of what it's like for the children in those rural communities as well, needing that for the mums.

DR CRAIK: Do they think that the child-based subsidy - do they think they'd be able to transition from a block funding, or maybe you don't know?

MS BRIDGE: I don't think either of them in these two letters are looking at the block funding as much as just the three out of seven, so we need to talk to them more about whether block funding will - - -

DR CRAIK: Okay, or whether they could transition to - okay. The activity test clearly is an issue that's been raised many times and I guess one of the things that we've been trying to seek from people is, are there criteria, for instance, the parent is suffering some illness and needs treatment, or there are other criteria that we could use - - -

MS BRIDGE: Yes. I think, what Eva said here, that all of the children need some time to socialise. We don't have the village raising the child anymore, we don't have our neighbourhoods - we baby-boomers lived in the streets with all our friends and still have them as friends today, whereas these children don't even know who's living two and three doors down, so they're confined in their house, and that's why a lot of them are on electronic gadgets all the time, and parents are too scared to let them out to play. We do think that taking that ability for all of those children to be able to have - you know, it's only a small time, they're getting about two days a week now, but it is such a valuable time for them to be prepared, to be active little learners and to confidently go off into the schooling system.

DR CRAIK: Okay. I suppose one of the other challenges with our Inquiry was that we had to look at measures in relation to childcare for increasing workforce participation. I mean, clearly the activity test does that but, clearly, child development is an issue.

MS BRIDGE: There is a priority of access guideline that services should be operating under, and I think that could be strengthened because I've been - in some of these parent comments coming back, they're saying that they're sure there are people from non-work-related households in the childcare centre and they need more days for their work. It should be compulsory to tell non-work-related families, when they do come in, that they may have

to move days, drop a day here and there and be a bit more flexible on it, if that is the case.

DR CRAIK: We did get quite a few letters from people who said they're working and they can't find a childcare spot but someone is not working and their child is in childcare.

MS BRIDGE: Yes, and I think that's probably where the service operator isn't making that clear when those parents come in, that it is priority of access.

DR CRAIK: Though it must be a difficult thing to do at the time, I'd imagine.

MS BRIDGE: If you do it in the beginning - if it becomes the rule, everyone adapts to it but, if they're just worried about filling a place, it's a different story.

DR CRAIK: Okay. You've raised the issue of children at risk of abuse or neglect. What do you see as the issue there?

MS BRIDGE: This I don't think is an area that we're ever going to get to - not for a long time, going to get to where it needs to get to. We all, I imagine, can identify children at risk within our services, so what do we do? You have a basic discussion with mum about what the child is displaying and if there are bruises or if there's so on, and then the next step there is to move on to child protection, but we have a point in between where we're not - we know that child is at risk but it's not at that point. There's nothing we can do about it. We can't get that child into the service more. We find these are the children whose attendance is very spasmodic; it depends on the whole household. We have children of drug-addicted parents and we are in touch with the police on them, child protection knows, but nobody is doing a thing. Those children need to be in the service; one is a school child, one is a younger child. They can't pay their bills because the money goes elsewhere, but that's not those children's fault.

I think this is where, when we look at the parent and what the parent's needs are - and I know the community says, "Make them look after their own children," but the fact is that, if they have an addiction, they're not going to. You can give them a special childcare benefit for a 13-week period but that's all you can do, and then they've got to go or the service keeps them in - - -

DR CRAIK: And the other parents pay, I suppose.

MS BRIDGE: And the other parents pay, I suppose. This is a real problem and it's a social problem that's growing more in Australia. I don't know how we're going to deal with it, I don't know how this can deal with it but I do think that it needs to have a little bit of special attention for those children.

DR CRAIK: Do you have any ideas about what to do? People have raised this issue with us and, the real challenge is, how do you respond?

MS BRIDGE: When there is a child at risk in the community, it's very rare that it hasn't come to the attention of a doctor, who is probably in the same situation as us, is it at child-protection point, or a school, or an early childhood teacher with a service. What we believe is, if there can be one citizen who is notably qualified in some form to make a decision, we should be then able to start negotiation with the department, to see what more we can do for

this child, without making the mum run.

DR CRAIK: When you say “one citizen”, what do you mean; a non-related person or something?

MS BRIDGE: A school or an early childhood teacher within a childcare centre, or a doctor, or somebody that comes across that child, if they knew that we could work together to help them, or if we find a child, we may then approach, if they’ve got another one at school, and see if the school can work together - but I think we’ve got to get to those children; otherwise their future is not good. They move on extremely quickly if they think it’s getting to the point of - - -

DR CRAIK: Of being identified to the department?

MS BRIDGE: Yes, being labelled.

DR CRAIK: Okay. That’s helpful. Thank you. Do you support the removal of the tax concessions for the not-for-profits?

MS BRIDGE: At the risk of my blood being on the floor - - -

DR CRAIK: There’ll be two of us, I think.

MS BRIDGE: Yes, I do, because - look, I think we need to bury this conflict between the privates and the public sector because we’re all in it to provide better outcomes for children. People say that the private sector is in it for profit, but I know that so many in the community sector have - a lot of it is going in additional wages and other things that - you know, ultimately, you wouldn’t be doing it if you wouldn’t be getting paid. A private operator pays their school fees, lives, pays their taxes, pays their payroll tax, the mortgage, everything comes out of it. Back in ’91 - or ’92, was it, Eva, when it started - it was like a public-private partnership with government because the sector put out the millions of dollars to buy the land, build the services and the government said, “You provide this in accordance with the NCA system,” at the time, “and we will subsidise that part of it”. So, we’ve gone along - and, I do also agree with Eva, there should have been planning because it should not have grown like topsy, as it has, and it’s starting again because the developers are really in there building, and they’re not going to build where government needs places. Government again, I feel, is responsible because we give them our places every Friday, and they should be able to know where there are gaps and where it’s oversupplied.

In ’97 we had a huge collapse, community sector and privates were falling over all around Australia, and we don’t want to see that happen again.

Back onto the private and the not-for-profit, I think what we’ve got to look at is - and, if we’re looking at a deemed amount for both sectors - we do have to pay, as I said, payroll tax, income tax, land tax and also, on each place for a lease, it’s about \$2000 a place; so, a 75-place centre is paying \$150,000 a year in rent. We are able to keep our prices at similar or less than the not-for-profits. Yes, we would like to put on additional staff but, the thing is, our parents pay for it. I guess your parents are paying for it too, in the not-for-profit sector, because of the fact that your fees are so high. We don’t get any gaming grants to build playgrounds; we have to do all that - everything that happens in our services.

I'm proud of how the private long day-care sector operates across Australia. I think we are doing exceptionally well in the assessment and ratings. I don't know the exact figures yet to say that we are doing up there or we're not but I do think that it has been embraced. We have found it hard because we've had to do it on less than, having all these additional staff, but the sector has put on additional staff. I think that we have seen our educators really blossom under the Early Years Learning Framework and the outcomes for children have improved, as well. So the stepping is going well and there is much more pride than there ever was in the outcomes we were achieving.

DR CRAIK: Good. Thank you. That's certainly a message that's come through loud and clear, actually, through the whole Inquiry. I think we'll have to call a halt there, Gwynn, but thank you very much, and we'll look forward to your survey.

MS BRIDGE: You're welcome.

DR CRAIK: Thank you. Our last presenter before morning tea is Lynette Connolly from Clovelly Childcare. Lynette, if you could introduce yourself, say your name and your organisation, and, if you'd like to make a brief opening statement, we'd be happy to hear from you. Thank you.

MS CONNOLLY: Good morning, everyone. My name is Lyn Connolly. I've been in this early learning and care industry, or profession, for 37 years. I currently have - am the provider for eight smaller centres across the west of Sydney, from Castle Hill to Liverpool, and we cater for families from various social, economic and cultural backgrounds.

My presentation rests on proven systems, research and communication, extensive communication, over the years, with families. I am pro-children and support quality early childhood education and care but it must be affordable for families and for government. Thus, my presentation will have an economic focus.

Past New South Wales governments have virtually regulated private centres out of affordability for families, have reduced days or removed children altogether to backyard care, with detrimental effects for the children, according to Professor Michael Keane of Brown University. His research shows children cared for in the home by either paid or unpaid carers experience a large negative IQ effect, as each year of informal care reduces scores by 3.5 per cent, reduces the chances of going to college by 2.1 points. Further, learning difficulties aren't recognised early, disability-rectification or management programs are not implemented early enough; full academic and social potential won't be reached for the children, and negative productivity impacts will occur.

Couple this with the Perry preschool report, showing a \$17 return to government for every \$1 spend, the Productivity Commission must consider removing any recommendations that will inadvertently force children out of centre-based early childhood education and care, including the approximate 100,000 children whose families do not meet the work and study test. We simply cannot preside over a haves and have-nots for Australia's children.

I agree with everything Eva said about it, I agree with everything Gwynn said about it, and everyone in this room will tell you the same thing; you cannot put our children on the scrapheap.

These children, as Gwynn said - we look at the child, the child's not at risk, but, if we kick these children out, they will certainly be at risk and a great burden on this nation because they won't get that start that they need to go to school with, and then they won't get the jobs at the end, and they will be in the delinquents' Court and the adult prison and on generational welfare. It's got to be about children, primarily about children, because, if you get it right for the children, you'll get it right for the nation, because you'll get productivity when these kids grow up.

All governments want to put their stamp on early childhood education and care. The Hawke-Keating government extended childcare assistance to families using private centres; thus setting up a quasi-public-private partnership, where the private sector provides the infrastructure and the government funds the user. This increased childcare places, allowed more women to return to work and increased productivity, without capital cost to government. I ask the PC to carefully consider any recommendations that may destroy this extremely efficient money-saver to government the taxpayer by putting private-centre viability at risk. I know we have larger corporations in G8, etcetera, but, if you look at private childcare, the greatest majority of it is run by single operators, and the passion is children.

The Howard government introduced an extremely successful planning system. Its sole failure was that it was only in place for two years. Its success rested on developers proving a need in an area to access childcare benefit for families, which ensured oversupply and undersupply were both addressed. I call on the PC to strongly recommend to the Abbott government the reintroduction, without a time limit, of that planning system. As Gwynn and Eva have said, you collect the figures every Friday, so you know where the children are, you know where the need is.

The Rudd-Gillard government had its focus on improving quality. However, NCAC data confirmed quality was not the issue. The issue was, and still is, affordability. Had the government and COAG done what the then PC's chairman said in the to-do list was the most important thing of all for productivity-growth agenda to follow, good process in formulating policy, including clarity of problems - and, I note, affordability, not quality, reached agreed objectives and, I note, the largest provider of places, the private sector, did not agree, and ensure the proper testing of proposed solutions, including on the detail and with those affected and, I note, this was not done, as shown by Minister Ellis's statement that fees would increase by the cost of a cup of coffee a week v the PC's prediction that fees would rise between 16 and 22 per cent.

History shows that the PC's prediction was correct, subsequently proving that proper process was not followed. I call on the PC to rectify this situation, ensuring the delivery of evidence-based policy, not policy-based evidence. I particularly ask the PC to recommend governments reassess the 2016 two-year-old ratio changes, applying proper process, which, from my experience, will show that benefits won't outweigh the costs. Considering research confirms ratios are not predictors of quality, this is the most disastrous and costly element of National Quality Framework for children and families in New South Wales.

When we went to 1:4 for babies, there was a huge loss of places for babies and the fees for babies went through the roof, and that is nothing to what's going to happen if you

maintain the 2016 two-year-old ratio changes without government funding. So, unless the government can fund it, it must be put on hold.

New South Wales educators' wages are currently \$2 to \$3 an hour, or \$76 to \$114 a week, higher than other states, and are facing substantial pay increases currently before the Fair Work Commission, under the Equal Remuneration Order, where, by way of example, an increase of approximately \$10 an hour for a Certificate III educator, if awarded by Fair Work, will be passed on to families, further exacerbating affordability issues for families. I ask the Productivity Commission to keep this in mind when calculating a deeming rate and proposing regulations that further impact on centre viability. It's very hard to have anything national when it's so expensive to live in different places.

Submissions to the Productivity Commission re shortages of early childhood teachers still hold true but are being addressed by ACECQA, allowing diploma educators to replace degree educators at certain times. Further, Melbourne University research showed diploma-delivered preschool programs earn children higher third-class NAPLAN test scores than degree-delivered; thus, I strongly recommend that the PC call for regulations to allow the use of either diploma or degree educators, especially in small centres without economies of scale needed to employ and pay degree educators and remain viable.

There are about 1083 centres in New South Wales under 30 places. The costs imposed on them by these national regulations will put many of them at risk. Centres under 25 places have to have a teacher for 20 per cent of their hours; so that's discriminatory as well because a centre that only opens eight hours has to have a teacher eight hours for the week. A centre that tries to do what you're saying, offer flexibility, and be open 12 hours a week has to have a teacher 12 hours a week, but the core hours for education are not 7 in the morning and 6 at night. I think that should be streamlined as well, if you insist on maintaining that teacher.

The PC recommendation that all schools provide preschools on school grounds should be scrapped on two counts:

(1) It is a cost-shifting exercise. Money will be shifted from the federal government spending it to the state government spending it; however, it will be funded from the federal government and by the state government by agreement anyway, so it's just a waste of time. It's a cost-shifting exercise that will cost governments more to fund the building and maintaining the infrastructure to house the preschool children, who currently receive their preschool education in private early childhood and education care centres.

(2) The ever-tightening of centre-based child-staff ratios has escalated costs enormously and if the economies of scale gained by staff-child ratios for three to four-year-old children is removed, by this cohort receiving their preschool programs in schools, private centre-based early childhood education in New South Wales would not survive without further and greater - enormously greater - fee increases to families already experiencing stress and reducing days.

I've got a few other points.

DR CRAIK: Okay.

MS CONNOLLY: We talked earlier about community. Our centres are community centres. Even though we are private sector, not public sector, the very nature of our programs forces us to be, even if we didn't want to be, community, because, in order to get the best outcomes for children, you must involve families and you must involve the community. So I don't see that private-sector centres should be seen as to be not being community. We are a community service.

Back to the children again, we must not put funding roadblocks in place for children who already have life and nature obstacles in their life - the children the Productivity Commission is proposing should not receive funding due to the work and study test, and there are tens of thousands of them. In a large number of cases, these children who need early childhood education and care the most are the ones that you're going to lock out, the generational welfare kids.

I had a family at one of my centres and the mum and dad were beautiful people but they weren't the brightest people, they just had a little bit of difficulty themselves, and they could care for their children beautifully by having them in with us five days a week, and they were funded by DoCS to do that. DoCS said that they were okay and took their funding away, and, within three weeks, the parents couldn't cope. The children were taken from the parents - it's enough to make you cry - and put into foster homes. We can't do this to our children. You can't allow this; you must take that out.

The deemed rate. I can't figure out how you're ever going to get a deemed rate. It's like the childcare benefit; it's so hard to get a rate that suits every - I'll give an example. I had a validator once who'd just bought a piece of land in the country area to build a 30-place centre, and she'd paid \$23,000 for it. To buy a piece of land in mid-western Sydney, not inner-west, not outer-west, you'd pay one and a half to two million dollars to put a 30-place centre on it. So, how are you going to give a deeming rate that's going to address near-to-west Sydney and Dubbo, for example? That's a huge challenge.

The family tax benefit, the one that the parent loses when they go back to work, I believe that should not be taken from the families; I believe that should stay with the families but it's got to be used - change the way it's delivered, so that it is used to fund the gap fee for the families. Then the mother will actually go to work because she's got a financial benefit. This mother will then pay taxation, which will offset the benefit anyway. What happens now is that you take that benefit away, then they look at their pay packet at the end of the week and they think, "\$5 left. It's not much worth it. I might as well stay at home and get the family tax benefit." So use it wisely until the children start school and you will increase productivity as well.

In relation to priority of access and working parents saying that they aren't getting places and there are 24-hour children who are getting places, we have priority-of-access guidelines. In my centres, all parents are told when they start, if ever a working parent needs the place, the law requires that I ask them to change days or maybe reduce days. This should be mandatory; all centres should be doing it.

That's basically it.

DR CRAIK: Okay.

MS CONNOLLY: I could go on forever; I'm sure you all could.

DR CRAIK: Thanks very much for that. Your comment that you made at the beginning and in your document to us - this is Michael Keane, we'd be interested in his research, by the way, if you can give us the reference.

MS CONNOLLY: Yes. I meant to bring the evidence for you.

DR CRAIK: That would be good.

MS CONNOLLY: Can I just tell you where it came from? There was one of the presidents, I think it was President Clinton, who was trying to encourage women to get into the workforce who didn't work, and get them off welfare - he was an economics professor and the president asked him to look at a research project. What happened was, the president introduced special funding to get these women back to work, which gave Professor Michael Keane two cohorts of children to compare and contrast, and that's how he was able to - - -

DR CRAIK: Okay. That would be useful, if you could give that to us.

MS CONNOLLY: He's actually at Sydney Uni at the moment - UTS.

DR CRAIK: Okay. If you could give us the reference, that'd be good. Your comment that his research shows children cared in the home, by other paid or unpaid carers, experience a large negative IQ effect and each year of informal care reduces the score by 3.5 per cent and reduces the chance of going to college, does that apply to parental care as well?

MS CONNOLLY: What it is - in our early childhood centres, we have an early childhood program. You're about productivity, we're about children. We're about educating children to make them productive.

DR CRAIK: We're also about children.

MS CONNOLLY: Yes, but you're the Productivity Commission. I get it. What we're saying - what his research is saying is that these children are having early childhood education programs, and they're vital; brain-linkages programs for babies, you know. People don't even know about it.

DR CRAIK: Does this apply for kids who are at home with their parents?

MS CONNOLLY: According to his research, it's paid or unpaid carers, be they relatives or family.

DR CRAIK: So it does apply to parents as well.

MS CONNOLLY: They're not my words - people, they're not my words. That's his research. Look, that's not being rude, necessarily, to families. We're an adjunct to families; we help families. We care for, develop, educate and nurture the children and their families; breastfeeding, disciplinary practices, the importance of early education, all those sorts of things. I'd call on the Productivity Commission to actually recommend to the government that there should be a substantial amount of money put aside for the government to actually

advertise and get out to the community the value of early childhood education programs. All of Australia's adults should see early childhood education as important, if not more important than school education, because zero to six, everybody here will agree, is where it all happens, and if you get it right there - and the research shows that, if you get it right there, you're going to get it right for the nation, down the track.

DR CRAIK: Is this research suggesting, basically, you should have compulsory childcare?

MS CONNOLLY: I don't know whether that's what he's saying. He's an economist, so he is - - -

DR CRAIK: That's sort of the implication of it.

MS CONNOLLY: Yes.

DR CRAIK: Yes, that it almost ought to be compulsory.

MS CONNOLLY: I think I should just get it to you and - - -

DR CRAIK: Okay. We'd be interested to see the actual paper. In relation to the deemed cost, and you raised, clearly, the problem of different geographies, and the cost of things certainly differ in different areas, we had some limited data, admittedly, but when we looked at the range of prices of, say, long day-care centres, they ranged across a very significant range of prices, and that range, other than the CBD in Sydney and CBDs in Melbourne and Canberra, wasn't actually related, you couldn't to a direct relationship, to geography. We recognise there is a geographic issue and we're trying to keep it simple, so we're still trying to work out we're going to deal with it.

MS CONNOLLY: I don't know how you're going to do it.

DR CRAIK: No, neither do we. Someone suggested postcodes early on, and we might have a look at that, but - -

MS CONNOLLY: It's a possibility.

DR CRAIK: - - - of course, once you start use geography, you get lines on maps, and that's always a problem; which side of the line do you - - -

MS CONNOLLY: People in Sydney, for example - I live in Sydney, so I'm using Sydney, we're presenting in Sydney - their childcare rebate runs out before people in other parts of the country. Their mortgages, the cost of their homes are more expensive, everything is more expensive here, and their funding just runs out. It's a real issue.

DR CRAIK: Yes. We appreciate the problem, yes.

MS CONNOLLY: Maybe you could look at city-country.

DR CRAIK: We will have a look at those issues and try to see if we can come up with something that works a bit better. Yes, it is a bit of a problem but we were trying to keep it simple.

The issue about the activity test - and we'd be potentially eliminating tens of thousands, and a figure of 100,000 has been thrown around, but it's very difficult to actually know how many don't actually meet the activity test. That figure came from the number of families who claim the CCB only, with most of them not working or on low incomes, and that includes a whole lot who use childcare but don't meet the test, and people get 24 hours a week of CCB, and the remaining activities could meet the activity test. So, it's not really clear that it's tens of thousands. What we're saying is that we're not sure.

MS CONNOLLY: Any Australian child who misses out is one too many. What you should be doing is increasing the hours to 36, to give them three days, rather than taking it away.

DR CRAIK: Given that one of our tasks was to provide an answer to the government within the funding envelope, the budget funding envelope, that they have, which is around about \$7 billion, \$7.5 billion a year, where do you suggest we have to take something away, or not fund something? I know this is putting you on the spot but - - -

MS CONNOLLY: You need to educate our Treasurer that he's going to either look at short-term results - and I talk treasurers on all side of government, I don't talk politics - or are they going to look at long-term productivity? Is it about today or is it about long-term productivity? If that's their focus, long-term productivity is gained by finding the money. No one - no one on this earth - would entertain the thought of not finding the money for school, education. Why is it they're not finding the money for early childhood education, which is the building block for school education?

DR CRAIK: Yes, but there is a limit on the amount of funding for school education as well.

MS CONNOLLY: Yes. If you look at the private sector - we've provided - as I said, the Hawke-Keating government introduced the public-private partnership. We provide the land, we provide the buildings, we maintain them, we do all that. If there's no private sector - has the Treasurer, has the PC, worked out how much it's going to cost to replace a huge chunk of the private sector if we have regulations that put us out of the range of affordability for families? That's a good question to ask them because - you know, that's what happened in the '60s, with the Catholic-school system in Goulburn, where the cardinal or the bishop, or whatever, said to the school parents, "The schools will be closed on Monday. Everybody take your children round to the public school." So, when they all came to the public school and there were no places for them, that's where school funding for non-government schools became. If the same situation were to happen in private childcare centres - we're not evil people, making money out of children; we are passionate about getting it right for the child.

DR CRAIK: I don't think we ever suggested - - -

MS CONNOLLY: No, you don't, but there are people who do have, over the years, sometimes suggested - we get branded as the for-profit people. We're the private sector. If we could stick to public and private, it would be nice too.

DR CRAIK: Just one final question: you made a comment about after-hours school care, where we'd recommended providing after-hours school care for preschool children on school grounds; one of our recommendations was - there's a lot of school halls on schools that were built by the federal government - - -

MS CONNOLLY: Without kitchens and without storerooms.

DR CRAIK: In some of them, but one of the things that we thought was, where there is a preschool attached to the school, that it would be - and one of the problems with preschool hours is that they're not very work-friendly - was it possible for schools to provide after-hours school care for those preschools where they were attached to a school?

MS CONNOLLY: The thing is, if you look at - - -

DR CRAIK: Not where they're within a long day-care.

MS CONNOLLY: - - - what's considered best practice by our state departments, we are limited in the number of school children we can have in our long day-care centres because of the health, welfare and safety for little children. So, if you're promoting something that flies in the face of what the states say is necessary for health, welfare and safety of little children, I don't see how you can promote that. We can't have that. The facilities in our long day-care centres are set up for the little children, so how are you going to have the big kids and the little kids together in such huge numbers? It would not be safe.

DR CRAIK: Okay.

MS CONNOLLY: I asked you to very much carefully think about - we are being - constantly, regulations are changing the ratios for the younger children, so we have to get some economies of scale out of the three-to-five-year-old staff-child ratios, in order to be able to provide the zero-to-three. If you're promoting that all of these three-to-five-year-olds go into government-school preschools, there's going to be no viability - - -

DR CRAIK: I don't think we are.

MS CONNOLLY: It's not clear.

DR CRAIK: No. We're suggesting that preschool be delivered - that long day-cares remain and that preschool programs be delivered through long day-care centres. We're not - - -

MS CONNOLLY: You're not promoting a preschool on every school grounds?

DR CRAIK: No.

MS CONNOLLY: Awesome. Another thing I think that everyone here will agree is that we never know where we are. Our focus is children and all these people in the background keep changing the laws every five years, and then we start again. Let's focus on children. I'm telling you, you will agree, if we get it right for the children, we'll get it right for the nation. That's our focus.

DR CRAIK: Thank you. That's a good place to stop for morning tea.

MS CONNOLLY: Yes. I've probably tired you all out now.

ADJOURNED

[11.02 am]

RESUMED

[11.16 am]

DR CRAIK: Our next appearance is from Mark Lennon and Emma Maiden from Unions New South Wales, so if you could just state your name, position and organisation for the record, and then if you'd like to make a brief opening statement, we would be happy to hear from you.

MR LENNON: Thank you. Mark Lennon, Secretary, Unions New South Wales.

MS MAIDEN: Emma Maiden, Assistant Secretary, Unions New South Wales.

MR LENNON: We thank the Commission for the opportunity to make some remarks with regard to the interim report, and I think everyone has welcomed the Inquiry if, for no other reason than I think it has shed light on what has become a very complex issue for us as an Australian community. I'm sure there are many people in this room who can attest as a parent to the complexity of the system; it's a wonderful system. It delivers for our children, and it has certainly delivered for my three children on a personal level, but it was for us, myself and my wife, going through the system, difficult, complex and, at some times, a bit bemusing as to what was the best care, what was available and the cost, and other such issues.

That's why I think it's appropriate - we at Unions New South Wales think this Inquiry is entirely appropriate. The basis of our submission that we made in February was twofold, and no different to many other submissions that were made. The key elements of the system have to be quality care, firstly, and, of course, the second issue of accessibility.

There's a number of issues that have been raised in the report that we welcome, of course, and there's a number of issues, as you would expect, that we have some concerns about, as many other institutions have. Primarily, there are a couple of issues that we want to raise and Emma will go into some of these in a bit more detail in a moment, but the question around the issue of deemed costs and our concerns whether that will actually cover the costs, the actual costs, of childcare, particularly for low income families.

The second issue, which clearly the Commission touched on in its report, is this question about out of normal care options and increase the issues we raised in our submission, particularly for shift workers. Thirdly, of course, we go to the issue of the right to request, which has been an industrial issue in this country for some years now, and the need to strengthen that right and the right for working families to have appeal rights when it comes to the question of right to request. And, fourthly, the issue about the role of nannies and, in particular, the regulation of nannies.

I'll leave my opening remarks at that and ask Emma to take it up from there.

MS MAIDEN: Just in relation to those four issues starting out with the issue of deemed costs, we are concerned about that reimbursement that's been proposed of deemed costs rather than actual costs and the impact on access that that will have, particularly for those that

are lower income earners and live or work in areas where the childcare is more expensive in the city or in those geographically remote parts of the state.

We're also concerned about where those deemed costs are going to be pegged and how they're going to reflect the actual costs of childcare provision; professional wages and rent are two particular issues that we're concerned about there.

We know that the Commission's report has talked about doing more modelling in this respect, and we certainly welcome that. We think in that respect the issue that has to be at the forefront of our minds is not putting childcare further out of reach of low income families. So we really want to make sure that, whatever system is adopted, that's paramount concern in terms of the modelling and if there's some move to deeming costs rather than actual costs.

In terms of the issue of out of normal hours care, we did welcome the fact that the Commission has recognised the fact that one of the main problems for workers is accessibility issues when they work non-standard hours, and we're very interested in the discussion that's been raised about the integration of services. We like that idea; it was one of the issues that we proposed in our submission as well. We would like to see much more integration between the existing different types of childcare - family day care, in-home care, childcare - so that parents don't have to pick one or make arrangements for the integration of those options.

We note that you did comment that integration was inhibited by the divide in responsibilities for human services and in this respect we're very interested in the New Zealand childcare system where it's been integrated into the education system, and I think that has facilitated much more integration of services.

In terms of funding, we do have concerns around social impact investing to fund that integration of services and, in terms of the comments that were made in the report about provider trials of alternative flexible arrangements, we just think it's too early. I know that so far the uptake of those arrangements has been low; we think it's too early to really draw conclusions there and we think that the Commission should wait for those findings to come out towards the end of this year.

In relation to the right to request, it is pleasing that that issue has been acknowledged as a problem but we think the recommendation really doesn't go far enough, and this is draft recommendation 6.1. We really believe that the right to request needs to be strengthened so employees have - they have to know the actual reason why their right to request has been refused and have a right to appeal, probably to a body like Fair Work Australia, and for the employer to have to demonstrate that the reason they've given is reasonable in the circumstances and, if it's not, for the employee to be able to have that right to request granted by the Commission.

We don't believe individual flexibility arrangements are the way to go in relation to these issues. They invariably require employees to trade off wages and conditions of employment and they're also just not long-term arrangements because they can generally be varied by either party at short notice and employees need certainty here.

In relation to the regulation of in-home carers or nannies, we support the Commission's recommendation that if government assistance was expanded to include them, that they have to comply with the National Quality Framework, however, we believe that in terms of the appropriate qualifications, we would be much more supportive of the diploma level qualification.

We also think in terms of the issue there is obviously going to be problems in relation to the regulation of in-home care and we think one of the ways that could be dealt with is through not being directly employed by parents but through an organisation, be it an agency, childcare centre, family day care, local government, that kind of thing. In that way, superannuation, workers comp, correct rates of pay are all taken care of through some other larger organisation and quality of care; there's also oversight of quality of care through those kind of arrangements.

I leave our comments there.

DR CRAIK: Thanks very much, that's very helpful. Thanks a lot. Just starting at the beginning where you mentioned the issue of deemed costs rather than actual costs, what we were trying to suggest was you have a deemed cost which is actually made up of the elements of reasonable cost of childcare so it would take in - plus a bit of profit for the organisation and it would in to account what the actual work costs are for wages and what the real costs and come up with a deemed cost. So it would be an efficient cost and, of course, that's not as easy as it sounds - rolls of the tongue, as easy as it sounds - so we did choose the deemed cost and our initial idea was that it would be automatically indexed, and we had in mind indexed to ECEC wages because they appear to be the major component of the costs of these centres for centre-based care, between something like 60 and 80 per cent of the cost of the centre.

Does that sort of approach concern you? We understand there's a geographic issue and there's such a range of prices, say for long day care, across the country; there's a few outliers - Sydney CBD, Melbourne CBD and Canberra - but otherwise there's a range that doesn't relate to any particular geographic feature.

MS MAIDEN: I think the indexing to the early childhood wages is something that certainly gives us greater comfort, but, as you say, there still is the issue of high CBD rents and how you would account for that. I can see the attractiveness of deeming in terms of reducing that cost blow-out that has arguably happened since the 50 per cent rebate came in. We also don't want to see the costs get higher and higher for families either. If it was deemed at the appropriate rate and if it was linked to the real growth in those costs, the main concern for us is that people not be - lower income earners really having to dig much further or, preferably, a bit less into their own pocket to pay for those costs.

It would really come down to, I think where you actually peg it because some people - low wage works, for example, that work in hospitals that have to perhaps travel long distances to go and work in those hospitals and need to have their children in care close those hospitals, that could be very expensive care and yet their wages are very low.

MR LENNON: The broader issue too, I think, for governments in various - provision of various social services then, the question of deemed costs is - I know this has been considered, but what limits there are on providers imposing additional costs that aren't there.

DR CRAIK: We would say that was their choice and if the parents, you know, choose to pay, because some centres offer fancier things like yoga classes or iPads and things like that. So I guess we're saying that the government subsidy shouldn't cover those.

MR LENNON: Yes, it goes to the question of how, then, do you get a system where in effect the deemed costs over time don't reflect the actual costs as the systems grow. It's happened with our health system and bulk billing, for instance.

DR CRAIK: We commented on this in our report that we were trying to have a system where you would have an automated legislated indexation in there too to restrain the possibility of changes to it that can follow a system.

MS MAIDEN: In those areas where there's the highest demand, that would be a concern: that you're just going to have those centres charging - - -

DR CRAIK: A lot of money.

MS MAIDEN: - - - double because they can. And so it comes down to a supply issue really as well.

DR CRAIK: You did suggest that there might be a need for more modelling; did you have any particular views about what?

MS MAIDEN: When you've settled more on, if you're going to go for the deeming model and where you peg that, then that would be where we would really want to say, well, okay, what are the impacts here on lower income families? The average wage now is \$75,000, \$80,000 so if you've got both parents working full time, that's a combined income \$150,000, \$160,000 a year which is not a small amount of money but, given other costs of living, people can still struggle. So it's very important that people who are not outrageously paid are not worse off under the system, so that's really where we would want to focus in that - - -

DR CRAIK: Do you support the notion that, even at the lowest income levels, we would suggest that a 10 per cent contribution to the deemed costs by parents?

MS MAIDEN: We certainly welcome the greater subsidies between 90 and 30 per cent is what you suggested and you also have that phasing out in some of the modelling that you've done at the top end of the income scale. Obviously 90 per cent you would hope is better than 50 per cent but it's hard to be - say for certain because it's a deemed amount. So it really does come down to how much you deem it because 10 per cent of a deemed rate that is only half of what you're actually paying means you're going to be worse off.

DR CRAIK: Even if you're paying 60 per cent, yes.

MR LENNON: It's a very vexed question about the universality of these social services and questions about user pays.

DR CRAIK: It is indeed.

MR LENNON: As a broader principle, we would argue that no, universality should - people should access this and lower levels of income not have to pay any contribution upfront.

DR CRAIK: What about higher levels of income, because our modelling has a minimum 30 per cent of the deemed cost subsidy of the preferred scenario. We did look at modelling where the subsidy went to zero at 300,000 family income; do you have a view of that high end?

MS MAIDEN: Yes, we did in our submission say that we thought the 50 per cent rebate, which is what we were looking at in the current system, should begin to be phased out from 150,000. We didn't actually say at what point it should stop. We do have the broad principle that we would love a universal childcare system run through a government service provision like you see in Scandinavian countries and the like.

DR CRAIK: Do we want to pay that level of taxes in this country, do you think?

MR LENNON: That's the debate we have to have.

MS MAIDEN: Yes. But in terms of looking at the current modelling, we felt that it's very hard to try and justify 50 per cent rebates to very, very high income earners in situations where low income earners. So we said that we thought that the savings that could be made by phasing out the rebate could be redirected to the lower end. As long as the savings are being redirected towards lower income earners, then we think that it is appropriate that at some point it cut out in the current funding system, given we're not going to be implementing Scandinavia tomorrow, unfortunately.

DR CRAIK: When you talk about the flexibility of options and you talk about integrated service options, and you said you expressed some concern with the social impact investing approach, the coordination of services, did you have any more thought - I mean, what were you particularly referring to?

MS MAIDEN: Social impact bonds and investment vehicles of that like - there are lots of different forms that they take and I just think we're expressing some concerns at this stage and we would want to kind of see the final form that's actually being proposed.

DR CRAIK: Okay.

MR LENNON: I think also we want to see the issue of accessibility to childcare sorted through the Inquiry and that means that we need to ensure guarantees of funding. We're proposing on top of that some sort of new model of funding through the social impact, investing in the social bonds. We think, aside from our problems with the social bonds generally, it's another factor that at this stage I don't think would be necessary in trying to work through the problems with the system.

DR CRAIK: What are your problems with social bonds, social impact?

MR LENNON: We (indistinct) as well aren't enamoured with them in the way - well, they're still very experimental here in New South Wales. I think the benevolent society is working one of them. We don't know that they are the way that government should be funding social services.

DR CRAIK: Do you have some concern about nannies as being unaffordable for a lot of people? I suppose we were a bit surprised in all the submissions we got by the number of people who wrote in and said they needed flexible hours because they shiftwork or they were pilots, or one parent was away, that their working hours didn't coincide, and so they had employed a nanny. But certainly if you have multiple children a nanny might be very much more affordable if the government were to take a better recommendation. So what sort of concerns do you have about nannies?

MS MAIDEN: We think that the issue of the need for flexibility shouldn't be solely addressed through nannies.

DR CRAIK: I don't think we think we have addressed it solely through that but yes.

MS MAIDEN: Yes, of course for some people with large number of children it might be more economic. But they are still a very expensive kind of option, so obviously that would depend on the individual circumstances. But we certainly also hear that parents, despite their different working hours, they still want choice and they still want the ability to have their children in some formal kind of care, and that perhaps they need assistance around the edges of that to fit in with their shift work, or perhaps the issue is overnight stays, or whatever.

So we just think that for most people it probably still will be uneconomic. And then on the flipside of that is the issue of choice, about should there be the ability, even if you do start work at 6 am, to be able to integrate a nanny or a family day care-type arrangement into a formal day care kind of situation.

DR CRAIK: I don't think there's anything stopping centres doing that now, actually. Having family day care associated with the long day care services, because certainly there are services that offer that kind of range of services.

MS MAIDEN: Well, certainly in our research we didn't come across that as being a widespread - - -

DR CRAIK: No, it might not be widespread.

MS MAIDEN: No. And people do, through their own ingenuity, have more than one set of arrangements. And I certainly did that myself, having someone pick up my kids from school as well as using after school care. And so that's different days of the week, but I think the real issue is the integration on the actual day, what do you do when your boss says you've got to work back an extra hour and the childcare centre closes at 5.30? What is the way in which you can easily make one call and have it all arranged so that the childcare centre knows who's going to be doing the pickup, that they're going to a person that they know, and a home that they understand, and that it should be relatively seamless. And I don't think that's the way it works right now.

DR CRAIK: What about au pairs and occasional care providing greater flexibility? Because we've recommended that visas for au pairs can be extended or changed so that they can spend 12 months with one family as opposed to the six at the moment. We're not suggesting subsidising them, but just making them able to stay with one family for longer. And we've also recommended taking the caps off the number of places for occasional care.

MS MAIDEN: We do prefer a more regulated system than the au pair kind of system. The national quality framework is a really good approach, it sets great standards, and obviously we'd like to see the qualifications set higher in terms of - but in terms of moving to ratios and all that kind of stuff. If you're expanding a system of au pairs, you really are expanding a system of childcare that isn't subject to that national quality framework, and that would be a concern for us.

DR CRAIK: It wouldn't be subsidised either.

MS MAIDEN: No, but are we seeing the childcare system as part of our education system or not? And if we are, then it should all be embraced within the national quality system.

DR CRAIK: But on that issue of flexibility, long day care centres, and if our recommendations were accepted, they would have flexible hours because there wouldn't be the constraint on hours that there is now, operating hours per week. So flexible hours, they could have nanny options or family day care options. So beyond that, do you have any other suggestions for flexibility?

MS MAIDEN: Just the integration issue really. So that children can easily be - I don't want to say handed from one carer to another, but that's basically what you're talking about, and to get the right mix for that family. Be that someone in their home, in someone else's home, or in a formal day care, but all oversighted by a proper kind of quality structure.

DR CRAIK: The right to request issue. Clearly one of the issues there is if they're small businesses and someone requests flexibility and the business owner says, well, no, we can't do it because we only have three staff or something. What's your view about that on that occasion?

MS MAIDEN: It would vary. It might be that there were reasonable reasons within that business as to why the request couldn't be granted. But that needs to be tested, the employee needs to have a right of appeal to test that. And certainly all the evidence that exists so far is that employers are just saying no. There are some good employers that are entertaining it, but the majority of employers are just saying no. And there is no business case. Or they're saying, yes, you can go flexibly, but you can't be a supervisor any more, you've got to go back to just working an ordinary shift, and so therefore demoting them when they come back from parental leave. The new report by the Australian Human Rights Commission goes into a lot of those issues.

So we just want transparency, a right of appeal, and we think that will give the kind of flexibility that small businesses might need to just say, well, look, hang on, I just can't do it for X, Y, Z. Perfectly reasonable reasons, in which case, they wouldn't be forced to. But what we want to do is shine a light on those employers that are really just saying, gee, it will just be a bit of a pain. That's just not good enough, you know.

DR CRAIK: I suppose a small family business that might employ one or two people might find it a bit difficult if the staff member asked for flexibility and they refused it because they run a business, then there was an appeal. So you can see a small business owner being - - -

MS MAIDEN: But the way the Fair Work Commission works is - I mean, even with unfair dismissals these days, it's a teleconference. This is not a major administrative burden on a

company. And if they do something wrong in relation to their other employment arrangements, that disputes could be taken before that body as well, it's low key, it's meant to be non-legalistic, meant to be a lay person's tribunal. So I think it is the right way to go and it isn't an onerous burden for small companies.

MR LENNON: And you would hope, as everyone alludes to, it wouldn't get to that. But the fact is under the Act now you have a right to request and you should have a right to pursue that right. And that's all we're saying, that you should - regardless of the size of your employer, you have that right and you should have a right to appeal if you're not happy with the outcome.

DR CRAIK: Thanks. Certainly there's no doubt that flexible work arrangements are part of having a family and kids.

Now, in relation to nannies, you suggested that a diploma-level qualification you felt was better. So are you suggesting then that family day care, which also has a Certificate III qualification, would not be sufficient?

MS MAIDEN: I think moving towards that higher level qualification of a diploma across the sector is the way to go.

DR CRAIK: That would mean it would be more costly.

MS MAIDEN: Well, yes, there are costs from that, but we're looking at we either have a system that is based on a proper national equality framework, or we don't. And if we view the childcare system as part of our educational framework, then having someone with a three year degree qualification overseeing the early childhood education of those children is more than appropriate.

DR CRAIK: But if the national quality framework says that Certificate III is okay for a family day care worker, what's the basis for saying no, that's wrong, it should be a diploma?

MS MAIDEN: It's just a better qualification. Moving towards a diploma system has got to be a better way to go, it's a better qualification, it's a higher qualification. Let's not forget too that a lot of nannies are going to be operating within the home, and I'm not sure what regulation system is going to be proposed as well, whereas you already have an existing framework of regulation for family day care system. So I think that higher qualifications in the circumstances where there's the potential for less regulation is also an issue.

DR CRAIK: Well, thank you very much for your comments and your input today, and we look forward to putting your submission.

MR LENNON: Can I just come back to your remarks, Commissioner, with regard to - we're not going to have the debate here about taxation. But seriously, childcare and the accessibility to childcare and access to childcare can't be considered in a vacuum without looking at our social services generally, and the discussion that we have to have with regard to the social services we require as a nation and as a community, and as a consequence of the level of taxation that's necessary to deliver those services.

I don't think any inquiry can look at the issue such as childcare without giving that due consideration. Thank you.

DR CRAIK: Thanks very much. Our next person appearing is Anita Kumer from The Infants Home. Would Michelle Peden like to come now? Because Anita's not quite arrived yet, so if don't mind appearing now, we'll bring you forward.

We've got a slight change of order, so Michelle Peden from Kinda Kapers Long Day Care is appearing. Michelle, when you're ready, if you could say your name and your position and your organisation, and if you'd like to give us a brief opening statement, that would be fine.

MS PEDEN: First of all I'd like to thank you for the opportunity to address this Commission, my name is Michelle Peden, and I've owned and operated education and care services in the Newcastle and Hunter Region for more than 21 years. I've got university qualifications in infant education, special education, I'm currently studying my masters in early childhood education, I'm trained in workplace training and assessment.

There's many issues we'd like to address, but three primarily, and that's the cost burden of the NQF, the disproportional subsidies to local Government-sponsored community-based centres, and the subjective nature of the elements within the NQF.

First of all, the balancing of costs. The national quality framework was introduced in 2012 with the main aim of improving the quality of early education and care. Overall the significant impact has been extraordinarily positive. But unfortunately some of the associated changes have been substantial cost drivers for the entire sector. One such area has been the requirement for a significant increase in qualified staff. And while we appreciate the Commission's aim to balance access, affordability and quality through reviewing where quality staff are required, recommendation 7.2 came to our attention, and that was the qualification for under threes be required to be no higher than Certificate III.

This indeed is a significant cost driver for the sector, there's no doubt about that. And it would also assist us with skill shortages of diplomas and university trained educators. But I'd like to make the following comment, Certificate IIIs are trained to support and assist diplomas and university-trained staff. They are not trained to independently operate, develop, manage and deliver education and care programs.

Parents rely heavily on the professional feedback and support given by educators on a daily basis, and this can only be given by diploma-trained and university-trained staff. Children under three benefit significantly from access to more highly trained educators. The rate of development in this age range is significant, and children require intentional teaching programs and exposure to a diverse range of pedagogical skills while participating in a play-based program. Under three is also a critical time for the identification of children with additional needs.

I'd like to suggest there are other areas of the NQF requirements that could be refined to reduce the cost burden of staffing without impacting on quality. One such example would be regulation 126. This regulation requires 50 per cent of staff in childcare centres to be diploma trained or higher at all times. The literal interpretation of "at all times" makes rostering problematic due to the changes in the numbers throughout the day, particularly

during openings and closes. In addition, replacing trained educators for annual leave and short-term sickness adds to the cost. This is a significant cost driver on a day-to-day operational level.

While we agree with the refinement of staff requirements under the NQF, could reduce cost drivers without impacting on quality, this should be examined. So instead of draft recommendation 7.2 we would suggest looking at regulation 126 and changing the detail. This requirement could be changed from "at all times" to, say, the greater part of the day, or for six hours per day. This would still provide quality care while relieving some of the regulatory burden to centres.

The next issue is the disproportional subsidy to local Government-supported community-based centres. And we were very glad to see the Commission review the additional funding that community-based centres benefit from. As noted in the draft report, additional sources of funding include peppercorn rent, subsidised capital works and insurances, non-payment of payroll and income tax and access to local and state government grants not available to other day care centres.

This means that the care some parents receive will be more highly subsidised than care in another centre in the same suburb. For example, commercial rent can equate to \$8 to \$10 per day per child. These additional subsidies are potential breaches of the principles of competitive neutrality and creates a convoluted funding system which provides some parents with access to care with greater subsidies through indirect funding.

We'd like to ask the Commission consider expanding on draft recommendation 10.1 to include removing all indirect funding to ensure that some parents' care is not subsidised by significantly greater amounts and that the principles of competitive neutrality are maintained.

Our third and final point is the subjective nature of the elements of the NQF. We believe services need to operate in a system that has clear and sustainable business arrangements, including our regulations, and note that draft recommendation 7.6 includes a thorough review of the compliance of the burden and we welcome this.

We would also like to inform the Commission about the added burden caused by the subjective nature of some of the compliance officers. I've found that some compliance officers bring a professional and flexible approach to the process and this results in a professional conversation. However, unfortunately, a significant number of compliance officers allow personal bias on a philosophical basis to govern their judgments. Decisions are made that appear to be arbitrary and subjective and there is no chance for a professional discussion. This can lead to assessment ratings that are not tied to the quality of the centre and there is currently no practical means for support.

We would like to ask if the submission could look at the recommendations around the impact of the NQF and that these be expanded such that compliance officers have clear and transparent regulations and that the National Quality Standards do not allow for subjective personal opinions to impact on assessment ratings, and that compliance officers be accountable to an independent body for their decisions made when assessing and rating centres. And sorry, I read that. As I said, I'm extraordinarily nervous.

DR CRAIK: That's all right, you're allowed to read. Thanks very much, Michelle. The issue of Certificate IIIs in long day care centres for the under threes, obviously it has been raised quite a lot with us about that recommendation and the teacher recommendation. I guess I'd be interested in your views about the NQF in relation to the teacher recommendation because for services under 25 children, there only needs to be a teacher there present for 20 per cent of the time. So, if an average child is in childcare for, say, two or three days a week, the interaction between the child and the teacher is not going to be very great. Do you find, having a teacher - I mean is the notion of the 20 per cent of the time a teacher there useful to the service?

MS PEDEN: Personally, I struggle with it. We employ a lot of early childhood teachers. All our preschool programs are delivered by university-trained, early childhood teachers. It is a significant cost driver, there's no doubt about that, and somebody has to pay, but I believe that for an educational program to be valid and to be impactful, that we need the pedagogical skills that only university-trained teachers can bring.

DR CRAIK: Okay. In terms of Certificate IIIs for the under threes, relative to, say, diploma-educated staff, do you find a really noticeable difference in there?

MS PEDEN: A lot of the training of the Certificate IIIs receive is very much assistance-based, they're there to assist and support diplomas and university-trained teachers, whereas the diplomas get more training around delivering programs, assessing children, more pedagogical stuff that the Cert IIIs just don't get. Also, a lot of your Cert IIIs are trained through a traineeship program, they're extraordinarily young, I would be very ill at ease having only Cert IIIs looking after under threes, with not the support and guidance - without the support and guidance of more highly qualified staff.

You also look at it, the bigger the centre, the more impactful that would be. We have a 90-place centre; we'll only have, say, 40 of those children will be over three. So you've got over 50 children only being exposed to Cert IIIs and some of those Cert IIIs can be extraordinarily young. I think it's concerning just from a health and safety perspective without the educational facility. Under threes need and deserve access to education.

DR CRAIK: You talked about the hours that certain qualified staff are required to be in the centre. One of our suggestions and one of our recommendations was that meeting the ratios be kind of averaged out, either over the day or over the week, or something like that, so that if someone was going off on professional development, for instance, for half a day, then that could be averaged out over the week so that the ratios didn't have to be met at all times all through the day, which I think you seem to be expressing some concern about.

MS PEDEN: I expressed concern about the ratios not being met. I think the ratios are a minimum basic standard. I think they need to be met throughout the day. What my concern is is the qualifications. We have a critical skill shortage in this sector, in diplomas and university-trained. The problem that we find is rostering. So if you have two staff start at 6.30, another two start at 7 and another two start at 7.30, if one of your trained or your diploma or university staff call in sick at 7.30 and you can't get your hands on another diploma staff, you may find you've got four Cert IIIs and ECT and a diploma in the building; you're technically in breach.

I would struggle not having to maintain ratios. My centres all run with additional staff so we're not running it down the line with meeting ratios all the time. We always have additional staff, particularly at drop-off times when it's busy and children need to be taken from parents and children are distressed. I would be concerned if a centre was running dead on ratios during opens and closes, and obviously during the bulk of the day you need staff there to relieve for programming and lunches. Generally, most of our staff(sic) run with additional staff; it's the qualifications that are in the building. For me, the 50 per cent should be for the greater part of the day, or for six hours a day. But as far as ratio is concerned, I don't think they're negotiable.

DR CRAIK: To what extent do three to five-year-olds zero to threes?

MS PEDEN: I would say significantly. We do have a variation in fee structure. Parents of under threes pay more, bearing in mind the CCB rate for all children is the same. The cost of provisional care for under threes is substantially more.

DR CRAIK: What, double?

MS PEDEN: Easily. That's in capital provision as well as staffing, so yes, I would say it would be easily double. If we go from 1:8 to 1:5, that's going to be exacerbated. You can't charge double to parents with children under three so there is an element where the three to fives' costs - - -

DR CRAIK: Subsidise.

MS PEDEN: - - - subsidise, yes. I don't think the solution is leaving Cert IIIs with under threes.

DR CRAIK: Do you think that - how much more do you charge for the under threes than the over threes?

MS PEDEN: Usually about \$10 or \$12 a day.

DR CRAIK: I was interested in your comments on the National Quality Framework and one of the challenges, I suppose, is with the nature of the individuals that come out and do the inspection is the problem and you can't regulate that. But when you say clear and transparent regulations and standards that allow for subjective personal opinions to impact assessment ratings, do you think it's possible to write regulations that will meet that sort of requirement?

MS PEDEN: I think the regulations as they're written now could have more clarity around them or could have an interpretational document supporting them. God knows we don't need any more documents. I think at the moment you can get three different compliance officers in and they'll have three different interpretations of the regulation. They will tell you what you're doing wrong but nobody will tell you how to do it right. That is extraordinarily frustrating and it's almost, at times - and don't get me wrong, we've had some fabulous conversations with compliance officers who will give you lots of different feedback and advice and websites on how you can research, but we also have compliance officers that come in determined to find something that you're doing wrong. And it is very, very easy to do when you've got a very subjective approach and you've got a philosophical bias from one business model to another.

DR CRAIK: So it would be useful if they, ACECQA or someone actually put out best practice guidelines, what's the best thing to do here; would that be useful?

MS PEDEN: An interpretation, yes. I think the other thing is I know, again, it's money, but some sort of ombudsman, because sometimes I've heard some horrific stories about centres and directors who have problematic relationships with the local DoCS office and the behaviour of DoCS officers in those services. I think sometimes, if there was some level of accountability that was independent, that sort of behaviour, that does become tantamount to bullying, could be addressed.

DR CRAIK: Just briefly one final question, you do refer to competitive neutrality and local Government-supported community-based centres. What particular issues do you have with competitive neutrality and these centres?

MS PEDEN: Again, my understanding, and I did do some extra reading last night, and I now understand that community-based centres aren't statutory bodies. But the additional funding that is funnelled into community-based centres through Governments that basically is indirect subsidies to fees. And interestingly, a lot of the times that funding isn't passed on in reduced fees. Certainly in our area we're quite competitive with community-based services, and we pay commercial rent at all of our services, which often they don't. And they often get access to capital works grants that we simply don't get access to. I find that we're still quite competitive in fees, so where's the money going?

DR CRAIK: That's very helpful, thank you. Thanks very much, Michelle. Thanks a lot for your input.

MS PEDEN: Thank you very much for your time.

DR CRAIK: Is Brendan McAssey here? Do you want to take a seat, and when you're ready, state your name and your position and your organisation for the record, and then if you'd like to make a brief opening statement, Brendan, we'd be happy to hear from you.

MR McASSEY: Good morning, my name is Brendan McAssey from Only About Children, I'm the CEO, and today I just wanted to give out comments.

Whilst there's a whole range of things that we have a view on, I want to just specifically talk about draft recommendation 8.5, which is to do with nannies. The recommendations, or the suggestions, that nannies should be eligible for some sort of assistance. We have some concerns about that, and I guess the concerns aren't directly related to the nanny industry as such, it's more a case of potentially the unintended consequences of encouraging people into the nanny industry.

The first thing that we are concerned about is that there's already a challenge in attracting staff into the industry. If nannies are eligible for subsidies, then we would expect that, fairly quickly, and almost immediately, we'd see a significant movement out of the childcare industry into the nanny industry.

One, because typically nannies are paid more because they provide a range of services. And our experience, certainly in our business, is that one of the key places we lose staff to

already is the nanny industry. Parents send their children to us for a few days of the week, find out who our carers are, and ultimately then want to poach our staff. So that is one consequence. But if you now make it more attractive for people to have nannies, if anything what we think will happen is that there will be an even greater shift out of our sector and into the nanny sector. And so our concern is that there will be immediate drain on staff.

Salary expectations then will also potentially change. And there's already cost problems that we have in the industry with affordability. And clearly we'd like to be able to pay people more, but the reality is that fees across the industry generally are a challenge for most parents. If we are having to compete for staff with an unregulated industry, and typically the employers in the nanny industry are the more affluent in the community, and less price sensitive. And so therefore we're going to see a situation where we're getting out-bid for staff. We already suffer that; to the extent that that gets subsidised, we think that that just creates a further impediment for us.

We also are concerned about the impact that sponsoring nannies through a minimum level of qualification so that they are Cert III trained. One of the unintended consequences I think of that as well is that the NQF is all about (1) lowering ratios and (2) increasing qualifications, which is great. If you attract children or attract Cert IIIs into the nanny industry, and as a result you even take children out of the early childhood space and put them into nannies, you're going to actually have them exposed to lesser qualified people overall.

At least in a childcare centre where you have early childhood teachers, you have AsDips, they are effectively training those Certificate IIIs and they are setting programs up for them. In a nanny environment, that's not happening. So our concern is over the longer term you'll actually end up with children getting exposed to lower quality education, not higher quality education.

If we believe that particularly the 3 to 5-year-old children need a pre-school education and we believe that that's beneficial for society overall, by encouraging people to keep their children at home with a nanny, we're in fact going contrary to that ideal that we'd like to actually see more educated children rather than less.

The other consequence is as well that at the moment, as I said, we already do have a significant shortage of staff. On average, staff who are looking after pre-school children are one to 10, in the nanny industry it's one to one and a half or two. I know there's some suggestion that it might increase along the lines of family day care, some people would combine, but typically that's not the case. So if we saw a 10 to 15 per cent move out of the childcare sector into the nanny space for qualified staff fairly quickly, you're going to see a dramatic drop in the number of available staff able to look after children. The consequence of that could be that we may not be able to offer the number of places we currently offer. There's already a significant shortage, this would really exacerbate the problem in the very near term.

I know there's some talk about the fact that you would get other people coming into the industry, grandmothers et cetera, that might assist. That might happen in some circumstances, but typically, it's not going to happen straightaway. If a lot of my affluent parents in different areas are now getting a subsidy for their childcare fees, or their nanny costs, they're going to be putting up their hand to take our staff pretty quickly. And so I think

the consequence could be a real - an immediate shortage in the industry as soon as something like this was implemented.

So that causes us concern, as a provider. It is, I think, an unintended consequence, that we would see less staff. But we also are - we're generally concerned about the ability for regulation of the provision of that care. Understand that it's already challenging to regulate the quality of care in childcare centres, the thought of what it would cost in order to be able to replicate that in any great degree, you know, blows my mind to think about how that's possible. And who's going to do it. Are we going to be taking more qualified people out of the industry in order to assess the Cert IIIs who are now nannies? So we get the double impact, that we get more experienced people becoming regulators or assessors, and then therefore even less people in the industry.

In our mind, whilst there may be some benefits to flexibility for nannies as a provider of care, I think the immediate consequences for the majority of the community are going to be that there's less staff. Typically it's affluent parents, there's 45,000 people who use nannies in the community at the moment. Most of those are affluent. By even subsidising them to a degree, the net reduction in cost is only going to be marginal. So are we going to open up a very broad spectrum of people who are now able to access nannies? We don't think so. And so therefore we're just going to be giving money and staff to the affluent families who can already afford it.

DR CRAIK: Thanks very much. Thanks, Brendan. I guess we did have quite a number of submissions into the inquiry which said - and people said well, they weren't actually very affluent, but because they worked shift work or their hours didn't overlap, and they couldn't find a place with the hours they want in a centre, they had taken on a nanny, even though it wasn't subsidised. So they were very keen for a nanny service, and in fact we had a lot of submissions along those lines.

I guess my question to you is you've been pretty entrepreneurial in what you've done, but surely you've thought about yourself offering nanny services, if they became subsidised, as part of your sort of a business. I mean, wouldn't that be a possibility, that long day care centres could also offer nanny services as well? Have sort of integrated services?

MR McASSEY: It's possible, but the difficulty is that it's already hard enough to find staff just to fill our centres on a daily basis. You know, at any point in time we're advertising for literally dozens of staff. And so whilst the attraction is there to develop a nanny service, you've got to staff it. And that's the problem. And if we're robbing Peter to pay Paul, we think that one family - the cost of providing nannies is such that one family might be able to pay you \$150 a day or thereabouts, but across a childcare centre, where you're able to broaden the number of children that you can attract and educate, it just makes more sense - it would be more sense for us and more scalable for us to use those staff in centres rather than to use them to provide a single nanny service.

At the end of the day, again, there might be some people who do use nannies who aren't affluent, but by and large, nannies are a luxury for most people, simply because you've got one carer to one child or maybe two. So by that very nature, it can't work out to be very affordable. If you use some of the numbers in here - - -

DR CRAIK: If it's not affordable, then it won't be a problem for you.

MR McASSEY: For us?

DR CRAIK: Yes.

MR McASSEY: In terms of attracting. But what I'm saying is that the affluent families, they'll take that subsidy and go, that's fantastic, thank you very much. And then they'll bid higher for our staff, so that our concern is that that's where the staff will go. And it might be - you know, there's currently 45,000 families using nannies, let's say that goes up to 60,000, so we lose 15,000 staff out of the industry, just like that.

DR CRAIK: Well, not according to the popular media - there'd be 15,000 grandparents waiting in line.

MR McASSEY: Yes. The popular media is the popular media. I don't necessarily know that they're that informed.

DR CRAIK: Yes.

MR McASSEY: So I guess that's our concern, is that it's just that we see it all the time already, and if we give parents an even greater - affluent parents a greater incentive to steal our staff, then I think that they will. And so if you thought about 10 or 15,000 staff leaving the industry, that would have dire consequences, I think, for a lot of centres. And those staff may well come from affordable childcare centres and provide care in affluent areas to affluent families, so you might actually be taking those staff and redirect them out of more - people that are lower income earners, and actually shifting the staff to higher income earners.

DR CRAIK: So do you pay above award wages in your places?

MR McASSEY: In some cases, yes, we do.

DR CRAIK: And does that retain staff? Is it effective in retaining staff?

MR McASSEY: I think it's one of a combination of things. I think it's the environment, I think it's the total employment package. But certainly we know that we have to, particularly for ECTs, certainly there's a bidding war in some cases for those staff, and so we do have to pay above the award. But that then directly impacts on the affordability of the childcare.

DR CRAIK: And do you offer premium services?

MR McASSEY: We do.

DR CRAIK: Do you charge sort of extra - can people nominate if they want them, or are they part of the package?

MR McASSEY: No, they're part of the service. And when we say we offer premium service, the reality is that we do offer services that other centres don't provide, such as we provide sight, speech and hearing testing for all of our children at all ages to test their developmental progress. We have occupational therapists and speech therapists on staff to assist our staff. We do provide additional staff for children with special needs, which we

know the current subsidy doesn't cover, but we certainly do that as well. So yes, we do provide additional services. We also have language classes, we have music classes. So yes, we do. And we also - our staff to child ratio across our centres is generally above the minimum.

DR CRAIK: One of the issues that you raise too is the Certificate III issue. Well, family daycares require Certificate IIIs, so does that suggest - are you suggesting that family daycares should be diploma level?

MR McASSEY: I think that there's a wide range of quality of care across the whole community. And what the NQF is really talking about is trying to increase the standard overall. Unsupervised Certificate IIIs, I think, aren't as capable in many circumstances, particularly young ones, as those that are supervised. So yes, family day care, there's a place for it, are you necessarily going to be getting as high a quality education for children in a family day care environment? In some cases, absolutely. But as a broad rule, you'd have to say that in a childcare centre where you've got ECTs and AsDips teaching the Cert IIIs and directing them and guiding them and setting up programs, that the children that they are educating and caring for are going to, on average, have a higher level of quality of care.

So family day care isn't a bad thing, but is there better alternatives? I think in a lot of cases there are.

DR CRAIK: Well, I think we've got your message, so thanks very much, Brendan.

MR McASSEY: My pleasure.

DR CRAIK: Thanks a lot. Our next appearance comes from Anita Kumar. Would you like to come up and give us your name and organisation, and if you'd like to make a brief opening statement, that would be great.

MS KUMAR: Anita Kumar, from The Infants' Home, I'm the CEO, and they are an integrated service. So while I think my colleagues here have covered about qualifications, the importance, so I'll just talk to the other points there I think.

One is the Commission was interested in getting some feedback about integration of services and the cost of integration. One of the things we were thinking was a part of the integrated services is we need to look at the early childhood workforce and look at it - we can include allied health professionals as a part of the early childhood workforce. Not to replace early childhood teachers, but looking at other qualifications and including allied health professionals as a part of that because, in early childhood, we are working with the child and the family.

When it comes to the cost at The Infants' Home, what we are looking at is there are several streams of funding, the special CCB. We have the Helping Children with Autism funding, the Better Start for Children funding, and then we have some streams of NDIS and ADAC. Because we are an integrated service we are able to tap into various different streams of funding for the families and make it easy for the families to access it. If it was the other way around, the families would find it quite overwhelming to go to access the various streams themselves. And we work with more than 30 per cent of our children are vulnerable, so we do work with a great number of children.

In respect to the previous conversation about nannies, family day care, The Infants' Home provides family day care for more than 650 children. We do see that there is a small proportion of people who are using nanny services, and we understand why that might be. What we would think is without going into the details, rather than set up another bureaucratic body to look at how nannies are going to provide quality, the Government should look at how they can incorporate the existing system of family day care to actually look at managing quality for some of these other children who might be using nannies, because every child deserves to be safe.

The third point that I had to look at is I think it's a well-known fact that the deemed cost for babies and the deemed cost for toddlers and kindergarten is different, and I think it's time that they actually changed the deemed cost for both of them so it's truly reflective of the quality and the ratios rather than just have one deemed cost.

My very last point is - and again, I could be misinterpreting the Commission's report on this - that the special CCB, which is now changing, the assumption is that children who are already reported at risk or children who are probably going to be reported at risk or have a developmental disability will only be able to access special CCB. Early childhood education and early intervention is about prevention, so if we were really into that, we would be wanting to work with families before they get into risk, not after.

DR CRAIK: Thank you. Could you first just give us a brief rundown of the services your service provides?

MS KUMAR: So The Infants Home provides childcare-based centre-based services. We have family day care services, we have allied health clinics, GP clinics, post-natal clinics, and 30 per cent of the families who are accessing The Infants' Home services access additional services than just childcare-based services.

DR CRAIK: So who funds it?

MS KUMAR: We have streams of funding, we do get some Government funding from New South Wales through their early intervention and ADAC, and we also get the childcare subsidy and the special CCB through the Commonwealth, and then we do have fee for charges, and we have some social enterprise models that generates funding, plus philanthropy. So we are one of those - - -

DR CRAIK: Multi-funded services.

MS KUMAR: - - - PBI who actually benefit from the PBI status.

DR CRAIK: We've proposed for children with additional needs, with a top-up subsidy for those children. Do you think that would work?

MS KUMAR: I'm guessing that the top-up subsidy is what is going to replace the special childcare subsidy, which is currently there. And if my reading was right, that the top-up subsidy was now going to be from a 13 week and then a 26 week period rather than the current way of 13 week and 13 week. I definitely think that the top-up subsidy or the -

whatever we want to call that new subsidy to be, is an important part of providing services to vulnerable families.

Now, how that subsidies cost is going to be calculated is something that we would like to closely work with or find out more about. At this stage I haven't got the details - - -

DR CRAIK: Neither do we. And so we would seek advice, I guess, from people like you about what it actually costs, because we're suggesting that the top-up subsidy be the deemed cost of those additional services. And so we'd be interested to know how much that additional cost is.

MS KUMAR: And it's not the same for every child, and that's what I originally thought about. I was thinking about the sort of families who access our services, so there are families who can afford - who are not necessarily at risk, as in child protection risk, but maybe at risk because their child is - has got chronic disability that the child needs to be with other children and allow the families - childcare might be used as a respite in that case - allowing families to go back to work and actually not escalate their stresses in family life. So there's a lot more benefits to that. But the families may be able to pay for that.

Compared to the other extreme case where we would have families with domestic violence and complex issues where the child and the family needs a range of things that they need. So at the moment the way we are doing it is we are panel members in Helping Children with Autism, we are panel members with Better Start, so we have positioned ourselves to access several streams of Government funding so families can access it through us.

DR CRAIK: One of the problems with specialist Childcare Benefit is that it started off fairly closely, narrowly targeted, but it's expanded enormously, so it's hard to write criteria around it that - - -

MS KUMAR: And this is a very broad and a crude statement to make, but if the Government suddenly decides that they have given too much special subsidy, then we just get a letter to say we only have six, so all the rest are not going to get it, all of a sudden. Which makes is very challenging to us.

DR CRAIK: Yes.

MS KUMAR: And the other problem is what you just said, is you have a 13 week period, if a family is extremely vulnerable, it's very hard to establish a relationship that is trusting to actually find out what that family needs before we can write all these reports and everything of what they actually need, to the Government, to work on what the funding they require.

DR CRAIK: So how long would you think that initial period should be?

MS KUMAR: I think for vulnerable families it should at least start off with a 26 weeks, before we actually look at submitting some sort of information, and then an increase should be given based on the assessment requirements. If the family has been assessed to require a year's worth of whatever, then that's what the funding should be. It shouldn't be set on some policy, to think that people should just - - -

DR CRAIK: Some predetermined amount.

MS KUMAR: Yes.

DR CRAIK: But to make sure that it gets shared around a bit, you can't kind of have an unlimited period of funding.

MS KUMAR: I think there is already strict levels of audit. So organisations like us, which have a special CCB that they actually receive, we get audited more regularly than, I'm guessing, other organisations. We do have a lot of paperwork that goes between us and the Government to do that, so I'm not quite sure increasing the regulatory requirements and putting even more bureaucrats into the role is actually going to be an efficient way.

DR CRAIK: I think that's a fair comment. If you had an initial 26 weeks before - to do the initial assessment, and then you got another 26 weeks and you had to put in new forms every 26 weeks, would that be an improvement on now?

MS KUMAR: I would think so. And I think the periodic - there might be another family that may not need the second 26 weeks at all. We may have to work that out at that first 26 weeks to look at what is the periodic assessment that needs to happen, rather than it being just a set period.

DR CRAIK: As a fixed amount, okay. Your comment about nannies and trying to build on the family day care model rather than kind of set up something new, what did you actually have in mind there?

MS KUMAR: So family day care currently actually monitors quality, it monitors making sure that the children and their environments are safe. I'm not saying it needs to provide the same level of service to nannies, but what I'm saying is if you're opening it up and saying children are going to get education and quality care, and that's why you're funding those people with childcare rebate, then we need to make sure that those children are going to be safe in those environment. And as you just mentioned, not always the parents with the - who can afford have nannies, and there are sometimes - so if they are people who are already vulnerable and overstressed using these services, how are we protecting those children?

DR CRAIK: We've proposed in our recommendations that where there are integrated services, that there might be some Government funding for - or recommended that the Government funding be provided for the sort of coordination of those services. Is that sensible from your point of view?

MS KUMAR: And I think there were several other comments that were made in the Commission's report which I thought was quite sensible, looking at the zoning of the properties, looking at council's level of influencing that sort of things to happen. Because when - we were one among the lucky 38 to get a small amount of funding to build the early learning and care hub. And we had several challenges with our local Government bodies in order to say we needed to build 50 car spaces to build this early learning and care centre, and the Government gave us 1.7 million to build an early learning care centre, which would only build a townhouse in Sydney. We can't build 50 car spaces with that. And nobody, none of the philanthropists would fund 50 car spaces. So it was a challenge. So I think things like

that need to be looked at if you really want services to integrate, co-locate and work collaboratively.

DR CRAIK: So how did you fund the car spaces?

MS KUMAR: We have put that into the next stage, which we will eventually get when we get the money.

DR CRAIK: That sounds like a very carefully thought out strategy. Just back to the top-up subsidy for vulnerable children, if they have additional needs. Do you think it's possible to define criteria for those, without being overly bureaucratic and regulative?

MS KUMAR: Whenever you want to define something, you've got to become more bureaucratic and regulatory and you're trying to put things into a box.

DR CRAIK: And then you find someone just out, so you have to build them in.

MS KUMAR: Outside the box. And that's what really came up for me, is when you - my reading of it is to say only children at risk or only children at developmental delay, because the families that we work, a lot of them don't fit into any of those boxes, and they are people who are just - and vulnerability is not something that you are just - it happens to you and it's just there. People get in and out of vulnerability, so we have families who will just come here as a mainstream family, and then something happens in their life, they become vulnerable for a period of time, and they get out of it. So it's not something that is pre-defined.

DR CRAIK: Easily leads itself to definition.

MS KUMAR: Yes, exactly. It just makes it even more complicated, I wish I had an answer for you.

DR CRAIK: So you don't have any bright ideas then on how we might deal with that in a funding system?

MS KUMAR: Look, I would like to be a part of the conversation, if that was moving forward, because we have some ways of how we are doing it at The Infants' Home, and I would like to share that information and hopefully value-add on that, rather than coming up with a new model with we all have to adapt to.

DR CRAIK: Yes. No, that would be really helpful actually. Yes, that would be great. Well, could you put some of that in a submission to us?

MS KUMAR: I'm going to give it my best shot.

DR CRAIK: Well, we might break now for lunch, thanks very much. And we might resume about 15 minutes earlier, about 1.15, and we'll start again. Thank you.

ADJOURNED

[12.31 pm]

DR CRAIK: Thank you, Ms Bryant. Lisa, if you take a seat and state your name and position and organisation for the record. Then if you'd like to make a brief statement, we'd be happy to hear from you.

MS BRYANT: Hi, my name is Lisa Bryant, I'm speaking on – I'm the convenor of Australian Community Children's Services, New South Wales branch. Commissioner, I'm sure that you don't need me to tell you that your job here was exceptionally hard. I have this image of families screaming at you, "Fix the fact that childcare is too expensive and fix the fact that there isn't enough of it," while the government simultaneously screams, "Fix the fact that childcare is costing us a gazillion and please, can you tell us why, although it's costing us a gazillion, families are still screaming about it?" Then you do it and then a bunch of us tell us that you got it wrong. Sorry.

But for New South Wales you have gotten it wrong in several key areas. Creating a level playing field for the early education and care sector in New South Wales by removing tax concessions and exemptions, especially payroll tax, would mean that the capacity of the larger section of the market, not-for-profit providers, would be reduced. In New South Wales, as you would know, over 700 of our 880 preschools are not-for-profit. Thirty per cent of our long day care centres are not for profit. The majority of children in family day care in New South Wales are cared for by not-for-profit services.

Not-for-profit providers, including the many small stand-alone services, will no doubt tell you that they'll probably need to curtail provision without these exemptions. New South Wales, once again, is different than other states. And I know that all states are telling you that, but we really are. We've long seen education and care as inseparable. You provide care to a baby, you are helping to educate them. Our regulations have always demanded one university-qualified early childhood teacher for around every 30 children from birth regardless if the service is a long day care or a preschool.

We moved to a 1:4 ratio for babies earlier than other states and have a better ratio for preschoolers. If your proposed deemed cost of care doesn't take this into account, if your proposal that everyone moves to the lowest kind of common denominator for qualifications and teachers is adopted, New South Wales children will lose out. New South Wales babies, like all babies in Australia, will miss out really badly if you take away the need for their educators to be qualified.

What else is it about New South Wales services that you haven't taken into account? As I said, the majority of our preschools are not-for-profit community-based services. They're not part of the state education system. Remove them from the NQF and there are no quality standards for them. our preschool fees are the highest in Australia. Many families using these preschools claim the registered care rate of CCB that you have suggested abolishing. As low as it is, that \$20 per week helps.

Our family day care services since you started your project have lost their community support program funds from July 2015. Not-for-profit service sponsors such as local governments are ready to walk. Our medium and larger not-for-profit long day care

providers would also be affected by the removal of payroll tax. Not-for-profit services in New South Wales care for a larger number of disadvantaged children. Examine which sector has more families claiming a hundred per cent CCB.

Your proposed 24 hour per fortnight work test, as well as cutting children out of receiving education and care, will also impact the children using these centres the most. I think you've missed an opportunity to creatively, easily and cheaply meet unmet demand. You've made an erroneous conclusion that, because the biggest growth in services has come from the for-profit sector, herein lies the solution to the undersupply. (Indistinct) the capital costs of not-for-profit service development and we can mostly manage without operational funding. We can't afford to build where we know there is need.

ACCS believes that the Productivity Commission has misread the role that not-for-profit services play by focusing on the fact that we don't just operate in disadvantaged communities and often operate where there is a thriving market. Yes, we do. But it is our services that are the ones that are providing the most education and care to under twos. We're the ones dealing with the majority of children with additional needs. In New South Wales we're almost the only ones that the New South Wales Department of Communities place children at risk of harm in.

You acknowledge that we are often the ones setting the benchmark price of education and care. You also acknowledge that not-for-profit services provide higher quality education and care than for-profit services. And a final point: you came to the conclusion that not-for-profit providers compete in the market not just on price, but on quality. You're wrong. Not-for-profit providers don't compete on quality, we just provide it. Please don't hamper our ability to continue to do this for the sake of Australia's productivity in the future when the children in our education and care sectors now are the productive members of society in the future because early education and care matters. It matters for babies and it matters for preschool children, and you can't separate the two.

DR CRAIK: Thanks very much. I guess my first question just relates to your column that was in the Sydney Morning Herald. I'm afraid I can't help myself by asking were you trying to imply that our report would consign Australia's children to the status of Romanian orphanages?

MS BRYANT: No, I think that's reading a bit too much into it. But I do think that there is a real danger of having one level of care for those that can afford it. The line that most disturbed me in your report was the line that said that those services that wanted to provide a premium level of care could provide an early childhood teacher. There is so much research that says either the provision of a teacher working face-to-face with children or even just overseeing the level of education and care in a service creates better quality for all the children in that service. If we just have that as something that the rich can afford to pay for, what are we doing to the children that can't afford for that?

DR CRAIK: I guess we'd be very interested to see the research that shows that because the research that we have seen suggests that it's very difficult to tell the actual contribution that particular qualifications make to outcomes, particularly down the track. There's the research on preschool children which suggests that diploma taught children might have done better than university degree taught children.

MS BRYANT: I don't think that's quite what it reads. It says teacher or diploma, and there is some question about whether that diploma is an old teacher's college qualification diploma or whether it equates to the diploma we have now. There are two academics who are speaking shortly after me and I know that they're ready and prepared to give you all the evidence you need on those.

DR CRAIK: We'd be very interested to hear it because the research that we have read really is very unclear about the particular value of particular qualifications and the optimal qualifications and the marginal difference between different qualifications. There's no doubt – and we agree totally – that a year of preschool sets children up for down the track, although we still don't have long-term research for beyond those existing NAPLAN studies. We don't have them out into their 30s or 40s. But the positive benefits for under-threes of teachers is very much less clear than it is for - - -

MS BRYANT: Again I'll defer to the academics. But I live in research around early childhood. That's what my life is and I read so many studies that say teachers are really, really important to ensure that the service delivers high-quality care. It also says that children from birth – and not just disadvantaged children, all children – can benefit from early education. That's why for the last five years we've been working towards and implementing the National Quality Framework. That wasn't based on a thought bubble by government. It was based on quite a lot of hard research and understanding. The fact that every state and territory signed up to that and the Commonwealth, they're hard people to ask to spend out more money, and yet they agreed to do it. They agreed to do it for a reason.

DR CRAIK: They did. But the regulatory impact statement on COAG's report said that the outcome of different levels of qualifications was uncertain, if you actually read - - -

MS BRYANT: The National Partnership Agreement and the document that predated the reg statement both said, "Here is the evidence and this is why teachers are there." So I think you need to go back before the regulatory impact statement to the – I've forgotten the name of that document. Can anyone help me?

DR CRAIK: It's probably the one that – the strategy. It might have been the strategy.

MS BRYANT: Yes, the strategy. It quotes the evidence for how teachers and how ratios are the most important things. That's what we all believe – all the small providers - - -

DR CRAIK: We know you believe it.

MS BRYANT: All the small providers witness that in their practice. You heard for-profit providers even this morning talking about the benefits of early education. And the research is there. I'm looking forward to in the second round of submissions people providing you that research.

DR CRAIK: That would be really helpful because it's a case of we've evaluated what we've seen and what we've concluded - - -

MS BRYANT: There is no doubt that it's a research poor area in those kind of things, especially in the Australian setting. But because of that we look at the small studies and we

look at the overseas evidence. Like why would people argue for better ratios and for better qualifications? There's no benefit for that.

DR CRAIK: We're not arguing about the notion of the NQF. We've come out in the report and said we support the retention of the NQF. We're just suggesting in some areas where we don't believe the evidence is as unequivocal that we've suggested some changes. So we do support the NQF, don't get us wrong.

MS BRYANT: I think that one of the things that a lot of community-based services, especially – and not-for-profit preschools in New South Wales, they weren't part of any accreditation system before the NQF. They've worked really hard to get themselves into the NQF and to meet the standards required of them. I think – sorry, I've lost my point here. But I think one of the things that they'd say is that you may have said that you support the NQF, but the number of key changes that you've suggested to the NQF will devalue its value to children and to the quality of care that children would get. Saying, for example, that ratios and qualifications should become nationally consistent is one of those things. Saying that providers should be able to meet ratio requirements over a fortnight rather than every minute of the day is another of those things. Doing the kind of separation between education and care that appears to flow from what you've said, even if it wasn't your intention, but there is a separation between education and care, also will mean that there is a real division between education and care that we've worked against.

DR CRAIK: It certainly wasn't our intention. Anyway, we've sort of covered that one before. I'm interested in your comment on the family day care services by removing tax concessions and exemptions and removal of CSP, which has happened already. I guess one of the questions we would ask is, is it possible to replace the CSP funding with – and build the coordination activities into the actual family day care cost so that - - -

MS BRYANT: Yes, of course it is. But it would mean an increase in cost of fees to parents.

DR CRAIK: But that would also be likely reflected in the deemed cost as well if those coordination costs were part of the cost of family day care and there would reasonably be an element of the cost of family day care.

MS BRYANT: I suppose part of it is a timing thing as well. Like family day care services in New South Wales are making decisions now to shed staff in their coordination units because of the CSP. If it eventually comes back – and I'm not convinced it will come back anywhere near as much through the deemed cost – then those services will have begun to disintegrate. What's more important than that is the number of local governments that are going, "Without that CSP money, we're out of here." Local governments have got the same fiscal pressures, if not more, than other levels of government. They just can't see a way that they can continue to subsidise it. So for a report that we hoped would help ease the demand pressures in a state like New South Wales, it may – there's some things that you're suggesting and some actions of the government itself that will mean lesser care in New South Wales.

DR CRAIK: But if you can identify the actual cost, what that would translate to as an hourly cost – what the coordination cost, sorry, would translate to as an hourly cost so that sort of thing could be built into the deemed cost, that would be sort of a useful thing to do and if in your submission and other submissions that sort of information - - -

MS BRYANT: Yes, for sure.

DR CRAIK: Because clearly coordination is an element of the family day care model. So it seems to me it's part of the reasonable deemed cost.

MS BRYANT: Of course you still have the issue that the deemed cost in New South Wales, especially in areas like the inner city, as previous people have said, it's hard to imagine the deemed cost having much to do with the actual cost.

DR CRAIK: I think we've acknowledged that there are some outlier areas that we need to look at. One thing that's fascinated me in reading charges in different places, why are preschool costs in New South Wales higher than everywhere - - -

MS BRYANT: The New South Wales State Government provides less for education and care than any other state and territory on a per-head basis, per-child basis. That's basically what it comes down to. So because of that, services have to get most of their funding through fees, and that makes it very hard. That's why the registered care thing I don't think probably the Commission is as aware – I've read your stuff about who's using that and who isn't, et cetera. There's no figures that I can access from New South Wales. But certainly until two years ago a service could be a registered care provider. It wasn't an individual in a service. So all of our preschools were registered care providers.

Now, when it changed in the last two years because of bureaucratic wanting to tidy up the edges, those services were – an individual in those services had to become the registered carer. So they may not be doing it – not as many services may now be offering that to families. But I tested this as soon as your report came out with a group of about 450 preschools. A large majority of them came back and said, "Yes, our family still use that." It's often the difference between a second or a third day of care for those families.

DR CRAIK: Will you able to in your submission give us some information on those preschools - - -

MS BRYANT: Yes, for sure.

DR CRAIK: That would be really useful.

MS BRYANT: Although I said I haven't got access to the research. But I presume that you could get lists of who's on those registered care and just work out from New South Wales which are preschools. Most of our preschools have the word "preschool" in their name.

DR CRAIK: They're part of the NQF, they're approved by the NQF, they come under the NQF.

MS BRYANT: Yes, they do.

DR CRAIK: So why wouldn't they be – under our system we're trying to promote flexibility in services and suggest that everybody who gets subsidised comes under the NQF. So why wouldn't they set themselves up as a service that comes under the NQF?

MS BRYANT: They could if you want to put forward a suggestion to the Commonwealth that 800 more services come under Commonwealth government funding rather than state funding. They can't at the moment because the hours are not there to be registered for CCB. You've got to have those set hours. But if your recommendation that that goes through, I believe that yes, a number of preschools will be coming Commonwealth supported and the New South Wales Government will be cheering and the services will probably be cheering at no longer having to deal with the New South Wales Government.

DR CRAIK: To what extent do the New South Wales Government support them financially?

MS BRYANT: Possibly KU Children's Services, who are speaking after me, will be able to give a more accurate answer. But some preschools get as little as 14,000 a year. They're those small one day, two day preschools in small towns. Some would possibly get up to 140, 150 thousand. But I suggest KU as a large provider could give more accurate figures. But when you look at preschool budgets they are very, very sad things. It's like do we cut another \$10 from craft material? And it is totally different. Whereas other states' fees for preschool are nought to \$10 in most states, in New South Wales they can be as high as \$75 a day. So New South Wales children have always missed out on the same benefits of a preschool education. Until recently, three-year-olds and four-year-olds - our school-age year is five - were able to get access to early education via a preschool. That's been removed in the latest funding model from the New South Wales Government and now only four-year-olds can.

DR CRAIK: Universal access.

MS BRYANT: Yes. The idea of funding for-profit long day care services directly by the Commonwealth for universal access is something that ACCS New South Wales would possibly have some problems with because - - -

DR CRAIK: But what about funding not-for-profit long day cares for universal access as well?

MS BRYANT: I'd probably think that from the New South Wales perspective our preschools need is so great compared to long day care services and our long day care services have always provided an education because they've always had that requirement for a teacher. I think the need is more with our preschools than our long day care services.

DR CRAIK: We're suggesting that the Commonwealth Government subsidise per head per child regardless of where the preschool program is delivered. Are you suggesting all the money should go into community preschools rather than - - -

MS BRYANT: I'm saying in New South Wales we need every cent that we can get. So, yes, in New South Wales I think that that's where the need is.

DR CRAIK: Do I conclude correctly from what you said, that the New South Wales Government has cut the amount of money going to preschools?

MS BRYANT: They haven't cut the amount of money, but the full benefits of the full universal access funding, as you may have read in the papers yesterday, has not necessarily

come through to New South Wales services. We understand that the government is stockpiling it for when that funding may conclude from the Commonwealth and they may need to use it then.

DR CRAIK: So New South Wales funding hasn't come through. Is that what you're saying?

MS BRYANT: Yes.

DR CRAIK: That's interesting. I don't think the Commonwealth would be too thrilled about costs all translated to the Commonwealth.

MS BRYANT: No, I don't think so either. It's very hard for parents who attend New South Wales preschool services to understand why they're not eligible for CCB and CCR. I'm sending my child to a service, why is it different? There's an underestimation of the role that preschool services play as a workforce measure. Because of the hours, 9.00 to 3.00, people think they can't possibly allow women especially to rejoin the workforce. But they do. A lot of women structure their work around school hours and so the preschool hours are no different. Or they cobble together family and friends, et cetera for those additional hours. Probably in some areas almost every person attending a preschool would be a working – they would be the child of a working parent.

DR CRAIK: I guess I get a kind of mixed message from New South Wales that they support the NQF and you want to retain the NQF, but because New South Wales has higher ratios, the taxpayer should subsidise New South Wales to a higher extent than other places that just follow the NQF ratios. That's my reading of it.

MS BRYANT: I think you're presuming that our ratios and our qualifications aren't part of the NQF, but they are part of the NQF.

DR CRAIK: But people keep saying that you have higher - - -

MS BRYANT: We do, but they're part of the NQF. It's built into the regulations. It's built into everything. It was the reason why New South Wales agreed to be part of the NQF was because we could protect our higher ratios. Our state government wasn't going to sign up to something that meant New South Wales children would lose the better quality of care that we had.

DR CRAIK: Sorry, obviously I'm not understanding. You say your ratios are higher than the NQF.

MS BRYANT: Yes. So under the NQF there's a whole body of this fits all services across Australia and then each state has an appendix at the end that says these are the specific things for that state. So New South Wales has retained two specific differences. One is our teaching requirements. So we keep the one in 30 children teacher. And our ratio for preschoolers, which is 1:10 rather than 1:11. So that's part of the NQF in our mind. So we support the NQF including that. When the NQF was first formed the 2014 review of the NQF that we're going through now was about not watering down the requirements of the NQF but strengthening them. It was thought at that stage when this was written back in 2009 that 2014 would see the other states going to those requirements and would also see a ratio of

1:3 coming in for under two-year-olds. We've moved away from that. New South Wales, I don't think, is asking that the Commonwealth provide a higher quality of care for New South Wales children. We're asking that the other states come to the level that we're at and that the Commonwealth provide for that, because that is the evidence-based ratios and qualifications.

DR CRAIK: I guess we'd be very interested to see the evidence that suggests that a 1:3 is better than a 1:4 or a 1:5, those sorts of differences. So I guess what we're saying is if there's a national subsidy system, it's a bit difficult to ask people who have a particular ratio in one state to pay a higher amount in another state.

MS BRYANT: Yes, as I said, that's fine, just bring the others up to ours and we won't complain.

DR CRAIK: One of the other constraints on our work was to make a recommendation to the government that was within the current funding envelope.

MS BRYANT: I know and you tried really hard with the PPL and that just didn't work.

DR CRAIK: Given what you've said today, have you got any suggestions for where money can be reduced?

MS BRYANT: Yes, but they're not going to go down well with you. I think it is very hard to see taxpayers' dollars going to fund the profits of private providers. There is no other business that I'm aware of that works exactly the same as that. Leanne Gibbs actually said to me earlier today, "If you went up to anyone in the street and said, 'Should the taxpayer fund my business to make a profit?' they'd say no, because a profit is something that an individual benefits from." Or in the case, as we've seen, our largest corporate provider, G8 Education, posted a \$16.3 million for the first six months. That's crazy. What a lot of people don't understand is that when we talk about private schools we're not talking about for-profit schools. No school is funded by the Commonwealth is allowed to make a profit; no school whatsoever. Yet we have a situation where education systems for younger than school-age children, i.e. our childcare centres, our preschools, you are allowed to go in there and make a personal profit out of that.

DR CRAIK: If the government is only funding the level of sort of a basic care in a deemed cost like we're proposing, but some organisations have managed to make a profit out of it, but not-for-profits have a different approach and do things differently, if the taxpayers are subsidising them to the same amount and it's covering only the basic reasonable costs of care, is that a problem?

MS BRYANT: Is that a problem? Yes, it still is a problem because it's what happens to that money at the end of it.

DR CRAIK: But if the services meet the standards - - -

MS BRYANT: There's a few things there. If the Commonwealth funds those services to the same level, then it kind of superficially appears okay. But there's a leakage of money from the system. The private providers, the money leaks in to covering their personal expenditure, et cetera. It goes into their private hands. Whereas the money going into the not-for-profit sector is reinvested into those services. It's reinvested into providing care.

DR CRAIK: But if the services meet the quality standard, people choose to use those services - - -

MS BRYANT: The other thing that happens is that what is the quality standard then becomes bitterly fought out. As you've quoted in your report, the percentage profits that you can make in childcare, as said by IBISWorld, are about two to three per cent. That's not much money. So then there comes a political push that we have witnessed here this morning with almost all of the speakers from the small stand-alone for-profit services where they start to argue against quality standards because they cost more money.

In New South Wales a few years ago we had a big push to reduce the ratio for babies from 1:5 to 1:4. Who was the groups that stood against that and argued against that? It was the lobby group for the for-profit operators because it would cost more money. You can say we can set the quality but there's a lot of defining of that quality that goes on by those that have a vested interest in quality costing less money.

DR CRAIK: I think we're going to have to wind up this because we've run out of time.

MS BRYANT: Thank you, and I'm sorry if you're offended by the article.

DR CRAIK: No, I wasn't offended. Moving on. Can we go to KU Children's Services? I guess you might as well both introduce yourselves but if you go first, then we'll talk to you and then we'll talk to Poppy, how's that?

MS LEGG: Thank you for the opportunity to - - -

DR CRAIK: Could you introduce yourself and say who you are?

MS LEGG: Yes, sure. I'm Christine Legg, I'm the CEO of KU Children's Services. So thank you for the opportunity to talk to you today. As you're aware, KU Children's Services is the oldest provider of early childhood education in Australia. Next year we celebrate 120 years. So we are the longest standing provider. Today we still remain very proudly not-for-profit and we have around about 15,000 children a year who come through our services. We operate a range of services in four states and territories in Australia along the eastern seaboard of Australia.

Predominantly we have preschools and long day care, but we also have a number of other services that also provide support to families. We operate the majority of these services in our own right, although we do manage 14 services for large corporate clients, which are generally known as work-based services. We have around about 2000 staff employed every week and we have long been recognised for our absolute commitment to teachers and we are one of the largest non-government employers of teachers within the sector.

I think as an employer we really do believe and recognise the value of our workforce. We work hard to support and develop our staff and to increase participation. When considering the current and future needs of early childhood education and childcare in Australia I think it's really quite a complex issue in that we need to consider what's best for children, but then also we do know that we have the competing needs of families. So to meet the needs of both is not easy, and we've recognised that in our first draft report or our

submission. I think in your draft report you've raised a number of issues that we wanted to talk about today. I'm just going to focus on five issues and Poppy is actually going to focus on vulnerable children and children with disabilities. So if we could do it that way.

DR CRAIK: Good. That would be very helpful. Thank you.

MS LEGG: The five things I wanted to talk about was the qualifications of the staff working with children particularly under three, the prospect of preschools being excluded from the National Quality Framework, preschools and universal access, funding and the proposed early learning subsidy, and of course removal of tax exemptions for the not-for-profit providers.

If I can just start with the qualifications for staff working with children nought to three. I take your point that a lot of the research actually focuses on disadvantaged families. You, like us, are searching for research that looks at more mainstream. We do believe – and I know that this is our belief – that we know that children in the nought to three age group are the most vulnerable. For families putting their young, small baby or toddler into childcare it's a bit step for them. So they absolutely have to have confidence in the staff.

I actually have come across an article that I'll leave with you, if you like. That is a study that was done in Massachusetts and it was in 2005. But it actually does show the strong correlation between certainly interactions with young babies are really important and consistency of staff and so forth. And that's well researched. What this article focuses on though and what they found was that the higher the qualification of the staff the better the ability they had to make complex decisions about young babies. I'll actually leave that with you and I think it's quite interesting.

We're currently working with a number of universities as well to look for more current research and obviously Australian research would be terrific. So I'm sure Sandra and Sheila will be able to give you some of that later. For us an organisation, we actually don't have teachers working in the nurseries directly with children but we do have diploma-qualified staff along with the Cert III staff. Obviously the teacher who's the pedagogical leader of the overall centre has input into those programs. But certainly a well-qualified diploma actually has the more complex thinking of a Cert III. I don't want to put down the qualification of a Cert III person but it is a pathway to a qualification. It's not generally known as a qualification in its own right. It's at most a six-month course. So for our staff it's very much a pathway into a higher qualification.

The second point is the exclusion of preschools from the NQF. We very strongly oppose that happening. The inclusion of all funded service types in a single national framework is essential to ensuring universality, consistency and equity for all Australian families. If you look at the definition of "universal access" – and I should know it off by heart now – but it's generally a program led by a university-qualified teacher for children the year before school, at least 40 weeks of the year, 15 hours a week in any setting. So we very strongly interpreted that as a long day care service, a preschool service or wherever that definition exists. So we would see that as a step backwards and I am concerned that one of the recommendations said that they should go into the school system.

When you look at what's happening around Australia there are certainly some preschools that are part of the school sector. Generally for those families that service is free. If we were

to take the example of the New South Wales Government, it's already one of the largest government departments in the southern hemisphere. So to put another 800 preschools into that mix I cannot see at this point in time the government being able to afford it and I just can't see how it would actually work. So we strongly oppose that. We would like to keep them as they are. I think it's already confusing for families - - -

DR CRAIK: I agree with that.

MS LEGG: - - - in understanding the differences. So we would see it as a step backwards and I do think it would begin the debate that we had 30 years ago between the division between education and care. For us in our organisation, whether we're providing long day care or preschool, we have the same level of staff in every centre. For us in our long day care centres, it's quality preschool program. In a preschool service, it's quality preschool program. Excluding preschools I think, as I said before, would certainly put together that divide between education and care.

The third point I'd like to make is supporting universal access. It has been a great debate in New South Wales because the definition of 15 hours, to be honest, fits into other states better than New South Wales. We run preschools in Victoria as well. Families are very happy to come five sessions a week for three hours. However, in New South Wales we moved away from that about 20 years ago. We have a lot more families working. So our suggestion is that we retain the definition but expand it slightly to say that it should be a minimum of 12 hours a week and a maximum of 15. I think that would probably work for most preschools around the country.

DR CRAIK: Do you do that now or that's what you're recommending?

MS LEGG: That's what we're recommending, yes. Generally a preschool day in New South Wales is 12 hours for two days. Some of our centres operate for seven, but just to get that extra half an hour becomes an industrial issue. So we can suggest to families as much as we like they might want to come two and a half days, but, in reality, they don't.

The fourth one is the funding of the proposed early learning subsidy. Certainly in our first submission we actually said we would love to have one government department fund early childhood education across Australia. That would be our ideal world. So we do welcome the fact that the subsidies have been pooled together and it will be far simpler for families and providers. To be paid directly to providers would actually help families understand what they're actually paying for childcare, because currently we find the gap between the fees that we charge and then when the families get their subsidy they don't often equate what they get back. So I think that would obviously make it simpler.

We do support the principle of means testing, however, we also think that in a way if we're serious as a country and a nation about investing in our future citizens, no family should be worse off because childcare is childcare for any family. And how you do that is quite difficult. But we do know that the minute we increase fees – and I'm sure every provider would say this – that it has an impact on utilisation, depending on the families' income. We see families cutting back where the second parent may cut their hours of work and start working part-time rather than full-time. So it does have an impact on people. Obviously depending on where you live, families have different incomes but they also have

different expenses. Clearly if you live in Sydney it costs you a lot more than if you're living in South Australia. So I think it needs to be taken into account.

We would be concerned about reducing children's access to early childhood education. We'd be concerned about reducing workforce participation and of course reducing the viability of any service has an impact overall for everybody. So we're not quite sure yet. We're still trying to work through the calculation and the application of the deemed cost. I think that's actually quite a challenge. The impact of the reduced base rate of funding within the proposed means test and the impact this will have on affordability and utilisation we're still also working through. We have currently just put together a survey where we will ask all our families what the impact could be for them. Whilst we have information about their income and so forth, we don't have information about their tax brackets and all that. So we have put together a survey and we'll be putting the results of that survey into our submission to you.

DR CRAIK: That'll be really helpful, thank you.

MS LEGG: Then finally, I guess, the removal of tax exemptions for not-for-profit providers. For us as an organisation, we rely very heavily on the tax exemptions, as I'm sure you've heard from others, just to ensure the ongoing viability and reinvestment in services. We currently operate in a lot of areas that would be deemed to be disadvantaged. We absolutely as an organisation cross-subsidise so that we can keep those services going. If you just did a financial analysis on some of those, they're not financially viable and yet we know the value of what the community and the children and families get out of our services. So we're not shy about saying that we do that.

If we were forced to pay tax on our payroll and our fringe benefits, although we don't have much, many of our staff accessing fringe benefits tax because they're just not in the bracket – but it would certainly impact on our ability to subsidise those services and to provide the extra support to vulnerable children and families and it would absolutely threaten the total financial viability of our organisation. Thank you.

DR CRAIK: Thanks very much for that and we look forward to seeing the survey and also the additional research that you're going to give us. Because if we can get some research on what happens – because we accept there's disadvantage research. It's really about mainstream children and what the relative qualifications and ratios do.

MS LEGG: Would you like me to leave this article with you?

DR CRAIK: That'd be fantastic, yes. That'd be really great. Thank you. The issue of preschools, clearly it's a really vexed issue. We weren't trying to suggest that preschools should be lower quality or – we're not trying to imply anything really. It was trying to make a more coherent system in relation to the funding in particular and assuming that the program would essentially remain, the preschool program, as it currently is. Because right now in some states preschool is under the Education Act and in some states it's not and in some states it's under both. I guess that just makes it not only confusing for parents but just we were trying to suggest some simple system. Our idea wasn't really that the education department would take over particularly the location or the operation. When we said build into the New South Wales system it was really under their legislation. But the funding would

actually be through the New South Wales education system. Still be delivered where it is now but the funding through there.

MS LEGG: You heard from Lisa. Technically we're already funded by GSE in New South Wales. The level of funding obviously is quite questionable. We remain the state that has the highest preschool fees of any across Australia. When I first moved to New South Wales from South Australia in the '80s the state funding was worth about 80 per cent of the preschools' income and parents made up the extra 20 per cent. Nowadays it's exactly the opposite.

DR CRAIK: The other way around.

MS LEGG: Absolutely the other way around. So the concern I would have if preschools came under the Education Act in New South Wales is that the early years learning framework was developed by the sector for the sector. I don't think there's any early childhood professional that doesn't hold it in high esteem and has not engaged in it and doesn't use it. The danger of going into a school system is that whilst the Australian school curriculum is appropriate for schools, it's not appropriate for four-year-olds. And there's always the danger that you get this push-down curriculum or early childhood is being seen as not real teachers. So we would strongly oppose it.

DR CRAIK: Your comment about hours for preschool was very interesting. Some have suggested to us, even today, that it should be more hours, not fewer hours. Is there any evidence of benefits differing to children or any evidence of what the benefits are from different hours of preschool – or we're not aware of any.

MS LEGG: I'm not aware of it either. I think the 15 hours came from a study done in England and that was just adopted by the Australian Government. What we do know though is if children attend preschool one day a week staff who work with that child get to see them 40 times over the if they're never sick. So it's not a terribly long time. Children tend to, if it's their first experience out of home into a group setting, settle better if they have more than one day and, if it's possible, to be in a consistent group of children and obviously consistent caregivers. I'm not aware of any research that says anything else. And it would be great, again, to have some really good solid Australian research.

DR CRAIK: I think we understand more shorter periods is better than fewer longer periods.

MS LEGG: I don't know. I've worked in both, to be honest. When I was in South Australia I worked with children coming five mornings for three hours or two and a half hours in the afternoon and then came to Sydney and of course by then children were all here 9.00 til 3.00 anyway. I didn't see any difference, no.

DR CRAIK: Interesting. Is there a maximum number of hours a day that you think is - - -

MS LEGG: We put in our submission that we felt very strongly that there has to be a time where we say the needs of families should not come before needs of children. I guess the example we used was many of our long day care centres are open for 11 hours. That's a long time for children to be in care. For me as an adult, I work long hours, but I wouldn't consistently say that I'm working longer than 11 hours every day. I guess that's why we have supported the notion of nannies for families who need hours longer than 11 or 12 hours.

There is a place for somebody to come and pick the child up, take them home and they sleep in their own bed.

DR CRAIK: Do you think nannies ought to be attached to centres?

MS LEGG: That was in our proposal, that we think – and whether or not it's a partnership with another organisation. But to have them attached to a centre so that there is some quality control would be really good. We also believe very strongly they need to be part of NQF and they need to have a minimum of Cert III.

DR CRAIK: You mentioned the issue of cross-subsidising and without the NFP status you wouldn't be able to cross-subsidise other services or, I guess, even children. Can you give us some idea – not even now necessarily but in a submission – of the extent to which you do that?

MS LEGG: Absolutely.

DR CRAIK: Because that would be really – give us good indication of what's involved.

MS LEGG: The danger for us is we could be very easily an organisation that only operates in affluent areas. That would be against the foundation under which we were formed because our history has come from assisting disadvantaged families.

DR CRAIK: That'd be really good if you could give us something on that. Obviously you don't, but the issue of competitive neutrality – I was going to say do you subscribe to it. But obviously you don't. But you can understand where government or others and governments or economists have come from in the point of saying you're a commercial service. At least I suppose there's concern that the concessions for not-for-profits are not transparent. So governments – well, they don't make that information available and we certainly haven't managed to find out how much in the way of tax concessions goes to not-for-profits, which means the taxpayer is funding it but doesn't actually know how much they're funding.

MS LEGG: For us as a not-for-profit, the only tax exemptions we have are the payroll tax and fringe benefits. Because we're not-for-profit we don't write off our phones and rental costs and so forth as a tax exemption because we just can't. We also find it difficult then to actually get a loan, basically. It's very hard to get a loan if you're a not-for-profit organisation. The great changing landscape for us also over the last few years, in particular in New South Wales, is the days of peppercorn rent are long gone.

DR CRAIK: Yes, so we understand.

MS LEGG: They're absolutely not there. In fact, we're in the process at the moment as an organisation for tendering for two of our own services that we've been operating for many years where the lease has expired and the landlord has decided to put them out for open tender. One is only open to not-for-profit, but the second one is open to for-profit. So those days for us of enjoying the hundred-year lease or 20-year lease doesn't even exist. Where we're able to renew our leases they are at a much more commercial rent and only for a period of three to five years. So investing in a building that is not your own is fraught with issues.

DR CRAIK: That's really interesting. Thank you for that. I think I've asked you all the questions I wanted.

MS LEGG: Thank you.

DR CRAIK: Thank you very much for that. That's been really helpful. And anything you provide us - - -

MS LEGG: We'll obviously put a lot more detail in our submission.

DR CRAIK: That'd be great. Thanks very much. Poppy, if you'd like to tell us who you are and your organisation and give us a brief opening statement, that would be great.

MS BROWN: My name is Poppy Brown, I'm general manager of community programs at KU. In addition to being a service provider, as Chris has explained at length, KU is also a provider of brokered funding on a national basis to all CCB-funded services around Australia in our role as the National Inclusion Support Subsidy Provider, or NISSP. We also manage inclusion support agencies in eight regions in New South Wales and Victoria, supporting over two and a half thousand CCB-funded services. So I'm going to stick to some points in your report about children with additional needs, if that's okay.

DR CRAIK: That's really great, thank you.

MS BROWN: First off, we're pleased that the Commission supports the rights of all children with additional needs, including vulnerable children, to access childcare and early childhood learning services in the same way as all other children. We're also pleased that the Commission has noted that there needs to be an increase in resources allocated to the IPSP and that funding support for including children with additional needs ideally needs to meet the actual costs incurred by the early childhood education service and including the children. We're going to provide more detail in our written submission, but there's a few things I wanted to highlight today.

Firstly, the importance of inclusion. So inclusion is not just being able to enrol your child at a service, it's about enabling that child to actively participate in all the educational programs offered by the service with their typically developing peers. This is the best practice that the current IPSP promotes. But we're concerned that a child-based funding mechanism which promotes specialist disability services, as you've noted in your report, rather than including children mainstream services, contradicts best practice and limits the choices of families and their ability to participate in the workforce. We also believe it's important to avoid confusing the role of the NDIS and the role of the Department of Education funding in terms of children with additional needs. We want to avoid that one-to-one support model where a child has their own educator and that's not quality inclusive practice.

In terms of the special early care and learning subsidy, or the SECLS, as I've heard call it, we support the increased funding available through the proposed funding model there. But based on our experience with the ISS, the current ISS budget nationally of \$50 million a year, we reckon it would have to be at least doubled or if not tripled if it was implemented as proposed because it increases the funding available without some of the targeting that's in the current ISS. So obviously we would support that increase in investment. But if within the

current funding envelope that's not possible, then the SECLS will need to be targeted in specific ways to meet need.

We believe very strongly that should ensure that children with the highest needs receive sufficient support as those of the children that would be excluded from services; they fall in the too-hard basket. Maybe that's through a tiered approach to funding. We would also propose that the funding needs to be flexible and looking at the combined needs of children and staff in each service, not just the individual diagnosed disability of the child or the individual needs of the child, because every service is different and you need to make sure that we target to fit that. We don't believe there's a one-size-fits-all approach.

I'm sure many services would also agree that any funding needs to be accessed by a simpler application process than exists at the moment and supported by improved technology. The portal at the moment is good but it's a bit clunky. We also want to make the point that solely providing additional funds to services will not address the practical issues that services face when including children with additional needs. Each situation is different. Staff can quickly get overwhelmed by the challenges that a particular group of children present in the environment even if they've got funding for additional educators. If there's an inexperienced staff team, for example, and a child with quite high needs, simply adding another inexperienced staff member into that service does not provide sufficient support. In some rural and remote areas, particularly Northern Territory, for instance, you can't access additional staff members even if you've got the money. So there are some challenges there.

In terms of the grants, the once-off grants that have been proposed in the report for the inclusion support program, we're very concerned that this support shouldn't replace the current inclusion support agencies. They provide the on-the-ground support to services as a cost-effective measure to ensure that all services can access appropriate targeted support for their particular circumstance. So they provide expert support but also transfer knowledge to build the capacity of services by coaching, mentoring, et cetera, which also often reduces the need for services to access funding. They also provide support to all children with additional needs. So that's not just children with a diagnosed disability; so children from (indistinct) backgrounds, indigenous children, et cetera.

We've picked up a couple of practical issues with the applying twice a year for the funding. So if you're assessing that funding – whichever agency or government assesses that funding, that's quite a practical challenge from all services twice a year for a deadline. It's quite resource-intensive from our experience, and we assess applications across the year rather than at two specific points in the year. Also, the timing of applications. So if I'm a service and I'm applying for funding from January to June and I apply in January, what happens if I have a child that joins in February? Do I have to wait until July to get any support? Also, if I'm a service supplier for say specialist equipment for a child and the child leaves in February, what happens to that money and that equipment that I don't need any more as a service? How is that best used across the sector? So there's some practical challenges there. We firmly believe that any funded support needs to have an accountability process built in so that we all – we know there's limited funds in the sector. We want to make sure that they are used properly. I think that one of the comments I'd like to make is that maybe something like specialist equipment could be considered maybe part of the NDIS rather than some of the education support you're proposing.

DR CRAIK: We were more concerned about the NDIS wanting childcare to pay for things like that.

MS BROWN: I think you've got to fight for it.

DR CRAIK: We've tried to put a few pre-emptive strikes in there but we didn't actually think of going the other way. Thanks very much for that, that's really, really helpful. I guess I'm really interested in the issue of child-based funding and the grant-based funding. It would seem to me that you think the child-based top-up subsidy, the sequels is okay but the concern that it is only per child and doesn't kind of deal with the notion of the service as a whole.

MS BROWN: Yes. Because you could have the same child in two different services and the support needs to be different, based on the staff - the experience of the staff and the environment that's there for the service so we often find that some after-school care services, if they're in a sporting kind of field, or something like that, then the toilets can be over the other side of the field and there's no change facilities built in for children with a disability in toileting. There's all sorts of challenges but that child could also attend another service that's got an environment that's more conducive and they don't need the level of support, they don't need that additional staff person to help. So basing funding on the child, we just don't believe would be the best use of funding.

Given that, while we'd love to have all the money in the world, if you're targeting it, the worst case scenario would be a little bit of money to everybody.

DR CRAIK: Which is not very helpful.

MS BROWN: Yes.

DR CRAIK: If you had your druthers, how would you design a system?

MS BROWN: Well, we have been workshopping some ideas, actually.

DR CRAIK: Because we struggled with this.

MS BROWN: Yes, it's hard, it is a challenge, it is an absolute challenge, and there is absolutely a trade-off between having an assessment process, an application process and more red tape and then targeting that support. That's always a balance that we're going to have to strike. We certainly believe that supporting services on the ground through some kind of capacity building, which is currently for the inclusion support agencies, helps services to include - we get the panic phone call saying, "I've just had this child enrol and what do we do, what do we do?" So it's that kind of base level of support that's really helpful for all services to access. I think then funding should be on top of that, as a sort of top-up because some - - -

DR CRAIK: That top-up funding, what would be the purposes of that top-up funding?

MS BROWN: That top-up funding would primarily be, as I guess at the moment it is for additional staff members in that environment because some situations, a child can be

included, there can be quality inclusion going on and you don't need an additional staff member or you only need it for a short time while the child settles; you might need funding for three months, say. So it's not a good use of funds to then have funds for a whole year if that's then not going to somebody else. The top-up funding, in some situations, you can't include children without having those additional staff members and that additional money.

So I think that needs to be targeted as to who that needs to be for. We feel that with the current ISS guidelines there can be some, perhaps, streamlining and some ways to better do it, and that might be by looking at different service types. Different service types have different needs and different costs in terms of including children. Also making sure the system is more flexible because, at the moment, if you have a child that attends for two days a week and then they then attend for three days a week, then that's more paperwork. So it's trying to limit that down. So we are workshopping at the moment some ideas. We'll try and put them into the Commission.

DR CRAIK: If you could, that would be really good.

MS BROWN: I'm not saying it's going to be the answer but there certainly is a definite balance to be struck. We wouldn't to just go down the funding route because I think that doesn't then address children that don't have a diagnosed disability, vulnerable children and also where the services just need some support as well as maybe some extra funding as well, but they need some support to help with the strategies. The money is not all that you need, you need to be able to know what to do in that situation.

DR CRAIK: If you could give us any thoughts you might have on this issue.

MS BROWN: I'll try.

DR CRAIK: And how best to tackle it in the way they would actually - well, you've got the experience, in the way that you think would work better.

MS BROWN: Yes, certainly will.

DR CRAIK: If there's any elements with what we've designed that you think are worth including, we'd be interested in hearing that, that would be very helpful. Do you do the assessment of additional needs? Are you one of the assessing organisations?

MS BROWN: In this we assess applications for inclusion support subsidies, the services that has applied, and the inclusion support agencies help the services to apply. They don't provide an assessment in terms of a diagnosis of a child, if that's what you're asking. Is that what you're asking?

DR CRAIK: Yes.

MS BROWN: No, we don't - so we don't assess a child's needs and provide a diagnosis in terms of what their needs are but they would help the services look at how the - the child's behaviours, what are the other children in the care environment, how is it all working, how could we actually make that a better learning environment for all children, so that's the support they provide - so early intervention and the allied health and medical profession do the assessment.

DR CRAIK: Okay, then. What proportion of the ISPS applications actually get funded?

MS BROWN: They would mostly all get funded but not necessarily to the level that they've applied at. So the inclusion support agencies will work with the services to start off with to say, "Maybe actually you don't need an educator for that amount of time, you really need it for the periods where there's most need." Because we have a capped funding allocation - we used to have waitlists before the national model came in, we had a waitlist in some regions so you had some services that couldn't access the funding at all. So in this model the program kind of works to make sure that there is a targeting to need so the inclusion support agencies would help that in the first place, and then the NISP works very closely with the Commonwealth Department of Education at saying - to manage that bucket of money to make sure that we don't run out.

The vast majority, I would say 99 per cent, probably, of ISS applications that the NISP gets would get approved, but not necessarily to the same - - -

DR CRAIK: The amount they want.

MS BROWN: Yes.

DR CRAIK: Would they get 50 per cent of what they want?

MS BROWN: It's case by case. It would be more than 50 per cent, I would have thought but that would be a case-by-case situation.

DR CRAIK: That's not too bad, then.

MS BROWN: If there was more money in the pot then obviously you'd be able to - - -

DR CRAIK: Fund more.

MS BROWN: Fund more but, yes.

DR CRAIK: The interactions with the NDIS, that struck us as a very difficult area.

MS BROWN: Yes. Where we're seeing a line drawn at the moment, and obviously the NDIS is - - -

DR CRAIK: Evolving.

MS BROWN: It's very much baby stages, is that NDIS is really helping that child access the service with their personal needs and their medical needs, but then the Department of Education is tasked with helping that child and all other children that are in that service. So it kind of ends at the door that the - the NDIS will provide support for speech therapy and an occupational therapist will come in to the service to help that child but the philosophy at the moment of the IPSP is that all those children at service are all participating in the learning programs so they're all together as a group, rather than the child with additional needs being off in the corner doing something with an educator and everybody else doing something.

But it is a tricky line and I think that's where it's drawn at the moment but things like, as we said, specialist equipment may be something that NDIS - because that's looking at supporting that child's specific personal needs, maybe that is better funded through NDIS. But there is a challenge where NDIS is all about individualised funding and choice and control for that family, which is great, but then in an education environment it's about all the children. So parents will often expect, then, that they have a one-to-one educator for their child, which is contrary to how we're looking at all children. So there are some tensions there but it's early stages. At the moment we're kind of trying to work it out. We don't want any child to fall through the gaps.

DR CRAIK: That's right. One of the issues we have, and a lot of people have expressed concern about, was the activity test that we had for childcare. I suppose people were concerned particularly about vulnerable children who might, in particular, miss out. It's the view that everybody should have some access to some childcare, subsidised childcare, but the particular concern about vulnerable children who might miss out. I suppose one of the things that we've been thinking about is: is it possible to design criteria that don't single these children out in a way that is not desirable so that they can get some access to childcare? One of our concerns was, if you have a high-income family, but it happens only to be one parent working, they wouldn't meet the activity test and it doesn't seem entirely reasonable that if they're a high-income family, they would be entitled to be subsidised childcare if they don't meet the activity test, whereas someone else who may have vulnerable children, then the child who would benefit enormously misses out. Have you got any thoughts about that?

MS BROWN: We haven't done too much work on the activity test at the moment but certainly we would support, particularly vulnerable children, making sure that they definitely have the access into services because they're children at most risk. There are some challenges, I guess, with the Disability Discrimination Act if support is different and then services charge one family with a child with disability more than - I'm no expert on how the Acts work but it doesn't at the moment, that's not the way that - - -

DR CRAIK: The other one is an issue.

MS BROWN: Yes. There are some challenges with that and certainly we would want to have the funding targeted so that those children would have every opportunity to access the service and not be dissuaded by activity tests or whatever it was.

DR CRAIK: Yes, one of the problems with the CCB has been it might have been targeted to start with, the objective might have been quite targeted, but now it's being used in ways that it wasn't initially intended, so the budget is blowing out.

MS BROWN: When you often have the children - we often are supporting those children through inclusion support agencies so children might not have - they might exhibit challenging behaviours because of their situation at home. If they don't have a diagnosed disability, they're not going to get funding, but we're supporting the staff in the environment with some strategies and how to actually include those children better. It would be good if that could also attract some funding but that only may be needed for short periods of time while that child settles in so it's not necessarily a situation you need ongoing funding. This is where the case-by-case, everything is different, approach; that's why I'm saying there's no - unfortunately, for the red tape, it's difficult to have a one-size approach fits all.

DR CRAIK: Yes, that's right. Are you funded by the federal government and the state government, or just the federal government?

MS BROWN: For my programs, the Commonwealth government. So for these two programs - - -

DR CRAIK: Just the Commonwealth.

MS BROWN: Yes. We also are doing the SCAN program which is state funded inclusion support for preschools. We're one of the providers for that as well, so brokered funding.

DR CRAIK: In terms of accountability, you were saying you were concerned about accountability; did you have anything particularly in mind?

MS BROWN: The ideas that we're still working through. One of the challenges is again with the balancing off the paperwork with the accountability. You wouldn't want a situation where, as I said, everybody gets funded by a small amount because their funding is not targeted, so you really only want it for the services that really need it. At the moment the ISS has some accountability for the inclusion support agencies assessing and helping the service to identify what the need is for funding before they then apply. You also have the NISP has got a compliance role as well in terms of what that funding is used for. So that funding is only claimed for by the rules where you've actually employed an educator; you can't get the funding and then not employ an additional educator, for instance, if that's what the funding is for. With the large amounts of money that you're talking about, it's hard. So I think it's just that system that's inbuilt to prevent that funding not being used to its maximum.

DR CRAIK: Thank you very much, that's been really very helpful. If you get any bright ideas in this area, we'll be very happy to hear them. Thanks very much.

MS BROWN: Thank you.

DR CRAIK: If we could now have the Institute of Early Childhood at Macquarie University, that would be great, thank you.

If, when you're ready, you could say your name, position and organisation, that would be great. If you'd like to make a brief introduction, we would be happy to hear from you.

DR DEGOTARDI: Thank you. My name is Sheila Degotardi. I am a senior lecturer at the Institute of Early Childhood at Macquarie University. Just by way of introduction, my research specialisation is looking at infant and toddler education and care. I have been researching and publishing in this area now for over 10 years.

What I'm wanting to do today is hopefully provide you with some information that you've been asking for in terms of current research that supports the issue of quality with infants and toddlers, and also supports the importance of qualifications with infants and toddlers. I'm particularly, I guess, concerned about the recommendations in the report that under three-year-olds can be educated and cared for by people with minimal qualifications of the Cert III, and also of the recommendation within the report that early childhood teachers do not need to have specialised content in terms of infant and toddler pedagogy and specialised practicum experience in this area.

What I'll do is I'll start with the whole issue of quality and the implications of quality. Your report, quite correctly, identifies that the child's first three years of life are the most foundational years of life in terms of their long-term learning. What we're seeing now with the quality literature that is coming through is that the implication of those first three years of life is not just in the home environment but it's also in terms of the experiences that children experience in early childhood care settings. We've got approximately 25 per cent of our population at the moment under the age of two in formal early childhood centres. So it is a significant context that we need to look at really carefully.

You're quite correct in identifying that there is some research that does demonstrate negative or negligible outcomes for young children in these services. What is important to do with this when you look at this research is look at whether or not quality has been factored in to the analyses in these research papers. What we're finding is that the early research didn't look very strongly at quality at all, or even overlooked it altogether. It looks simply at is this child in an early childhood setting or how many hours is this child in an early childhood setting. These are the ones that tended to say there were either no impacts on later development or negligible impacts.

What we're finding now is that there is a second wave of research coming through which is looking much more strongly at quality. These studies almost overwhelmingly show that when quality is factored into the analysis, that there are outcomes for children's development and wellbeing. Those outcomes have been seen in the prior to school age group, for example, the NICHD study in the US, which is probably the biggest and most comprehensive study that's happened to date, has shown outcomes in terms of social and emotional development, language development, cognitive development. Then we're seeing pre-academic outcomes in the early years of schooling.

What is really important with this research is that they've just done a couple of follow-up analyses; one actually tracks those outcomes at the age of 15 so those outcomes are actually enduring over time. Another one, which is of particular importance, looks at the timing of quality. They've looked at different patterns of quality: does the child experience high quality, early childhood education care in the nought to two age group, as opposed to in preschool? Understandably, they found that yes there are outcomes that are related to preschool, but also, there are outcomes that are related to the quality of the infant toddler program that persist regardless of the quality of the preschool education that that child then experiences.

What this is telling us is that quality for infants and toddlers is not simply a value-added extra, it's not something that we should we can sacrifice because it's not important or parents should have to pay for it. It is something that's absolutely essential.

In regards to then establishing that significance of quality, we now need to think about, well, is qualifications related, then, to quality. Once again, there are inconsistent findings here but, when you actually look at how qualifications has been measured, you find that there are some absolute patterns that are emerging. One of those patterns is that qualifications do matter and they do have an impact on both global measures of quality through the infant/toddler environmental ratings scale, for example, and also the more process elements of quality which are the sensitivity, the responsiveness, the stimulation in terms of the interactions.

Those qualifications have those implications when they are specialised qualifications. When those qualifications have specialised content in early childhood development and learning in early childhood pedagogy and, in particular, specialised content in what it means to teach and learn with nought to two-year-olds, then it is those qualifications that have those outcomes. An example is a large-scale study that has been recently reported in Canada. They have quite a similar way of measuring qualifications as we do in Australia. That large-scale study found that, with ratios, qualifications was the strongest predictor of quality in that centre looking at those global measures.

DR CRAIK: Did you say with the ratios?

DR DEGOTARDI: Yes, the two go together; very much so. They're both significant but together they have obviously a stronger - they have a combined effect. My own work in Australia was smaller, has shown that higher educated staff working with nought to two-year-olds are more sensitive in their interactions, they're more stimulating in their interactions with those children, using the same measures as that large NICHHD study. I've also found that more qualified educators have a deeper, more complex way of understanding those children's behaviour so they've got a better understanding of the children that they can then use to draw on when working with those children. There is evidence there; obviously we need more but there's more coming out all of the time.

The other issue that I really do want to raise is this idea that care can be separated from education with this very young group. I actually want to quote you something that has come from the Murdoch Research Institution which I think sums up this point and sums up why it is artificial to separate the idea of care and education with nought to twos. They said that:

Elliott argues that it is conceptually and ethically inappropriate to separate care and education functions. The younger the child, the more important it is to recognise the inseparability of care and learning. Every moment in which the adult provides care to a young infant is rich with learning.

This is what we find: if we're looking at quality with nought to twos, it's not about having children sitting at tables looking very busy, it's about the quality of the interaction that you have. Those interactions happen whether they're with play or whether they're in the care-giving routines. Again, my own research has shown that the more educated staff are more sensitive and stimulating not only in play situations with the young children but also we took measures in care-giving situations as well. So this separability, as I said, is artificial. You need those higher qualified staff because they have a higher level of thinking and understanding of the children and they're able to then use that to provide those rich environments for those children.

The very last point is that I would argue very strongly that qualifications also has an indirect impact on the quality of the service. What you have identified in your report, quite correctly, is that the early childhood workforce at the moment is facing some challenges, and it's facing challenges with staff attraction, staff retention and overall workplace satisfaction. My own work with infant and toddler educators, as well as quite a strong body of work that's coming out from the UK, for example, is suggesting quite strongly that that is even more so with people working with infants and toddlers, that they suffer from low-perceived status within the field. There's a research study, for example, that has come out from the UK that is

subtitled, “We’re wasted down there,” as in they don’t feel that they’re respected within the profession when working with nought to twos.

There’s a problem with workplace satisfaction; there’s definitely a problem with retention in that regard. If you have a situation where you have a group of minimally qualified people working with infants and toddlers, you’ve got low salaries, you’ve got low perception in terms of their expertise in the field, you’ve also got low career opportunities and opportunities for professional development in that situation. Again, research - and I’ll give you all of these citations when I do my submission - is showing that when you have staff who are not happy, number one, they don’t stay, and so the implications obviously for stability for the children is poor. You also have staff who, when they’re not happy, disconnect from the children and so they’re not able to provide that sensitive, stimulating interaction that we know those children need.

As I said, there’s that indirect implication there for quality that these staff - and Sandra will talk more about this - need to have the leadership of qualified people within the room and also within the centre, and those qualified people need to have that specialised content in infant and toddler pedagogy.

I think that’s my five cents’ worth.

DR CRAIK: Thank you. That’s really good, we really look forward to reading those papers and things. I think you said it, actually, but I was trying to take notes and listen at the same time, talking about quality. What are the elements you say are actually, within the meaning of it, I suppose.

DR DEGOTARDI: Yes, quality as a concept is very difficult to measure.

DR CRAIK: I agree.

DR DEGOTARDI: It’s made up with lots and lots of different elements. A lot of the quality literature separates it into what they call structural components, and that includes qualifications, ratios, management structures, space, all of those kinds of things, and then process elements which look more closely at the interactions with the children. It’s more about what the child experiences in that space. What we find are the two are very, very much interrelated and that no one aspect can ever be reliably overwhelming said to make up quality. It’s a combination of those things. But what we’re finding is that there are certain things that are stronger predictors of quality than other things. As I said, ratios and staff qualifications have been shown by a number of large-scale studies to be very strong predictors of quality.

What we’re thinking about when we think about quality is what is the child actually experiencing? For infants and toddlers, it’s not just about being kept fed, having your nappy changed, having enough sleep and so on; they need immediate, responsive, sensitive and stimulating and care and education, and appropriate experiences that will provide them with the appropriate materials.

DR CRAIK: How do you tell what the toddler is experiencing? This might be a dumb question but how do you tell?

DR DEGOTARDI: My own research is observational research and you look, because you know the kind of cues that you're looking for. Obviously a child who is not experiencing those things is going to showing signs of stress. They also start to show signs of detachment. They, quite clearly, show that they're engaged, they're not happy in that environment. What we look at for the educators is that we've got some quite tight measures now that we look at a range of things that, for example, comprise sensitivity, a range of other things that would comprise stimulation and there's a whole lot of things that go into that. So, depending on what the study has actually measured, many of the studies that I've cited have given – have got quite well tested measures. Other studies, one that I'm conducting at the moment, we're focussing specifically at the language interactions and we're actually hoping to develop our own measure around that. So you could look very broad or you can look very specifically. There are different things that comprise quality.

DR CRAIK: And have you done any research on different outcomes in different types of care; like long day care, like family day care, like parental care?

DR DEGOTARDI: No, I haven't and I don't think that there's a very big body of evidence at all internationally that's actually looked at different outcomes. Again, if you were to think about different outcomes, you have to look very much context-specific. So, for example, I wouldn't feel confident if there – even if there was a large scale study, for example, in the US, in a particular state in the US, I would want to look very, very closely at what the legislative requirements are in that state, all of those kind of quality features, when interpreting then whatever outcomes that they have found.

DR CRAIK: How would you rate all this against parental care? How does all this stack up against parental care?

DR DEGOTARDI: Okay, I think it's different. It is very different. The idea that early childhood educators are substitute mothers is not a good idea at all. It is very, very different. I've been both and it is a very, very different situation. It is a very, very different context. What we're finding from the evidence is that high quality infant/toddler care doesn't stand in place of a home environment, whatever the quality of that home environment is, but it actually complements it.

DR CRAIK: But if the child was only at home and didn't go to - - -

DR DEGOTARDI: That would really very much depend on the home environment, and it would also depend on the quality of the early childhood environment that that child had access to. So I don't think it's actually very useful to say one is better than the other or one is worse than the other.

DR CRAIK: It's really more are both necessary, I guess is more the question.

DR DEGOTARDI: Are both necessary?

DR CRAIK: The parents are necessary, yes, but I mean - - -

DR DEGOTARDI: You'd like to think so. You would like to think that, yes.

DR CRAIK: Is childcare necessary, you know, for all the ages?

DR DEGOTARDI: Okay, so from what you seem to be asking is almost, “Should we allow universal access for nought to two year olds? Should every nought to two year old be in an early childhood centre?” I don’t have any - - -

DR CRAIK: You know should we encourage it or is it not necessary, I suppose.

DR DEGOTARDI: I don’t have an answer to that one. I guess I’m looking much more realistically and I do understand in your report some of your implications were if we do X, Y and Z, we’ll have less children in early childhood settings. I’ve lost my train of thought now.

DR CRAIK: Sorry, it was about parents.

DR DEGOTARDI: About parents not being necessary. Threw me. I think that we have to look at the reality of the situation. I understand that you have suggested, for example, that we extend the rebates to nannies and grandparents.

DR CRAIK: Only those who meet the qualifications, yes.

DR DEGOTARDI: For those who meet the qualifications, absolutely. Personally, and I can back it up with a little bit of emerging evidence, I don’t think that that’s going to make the tiniest little dent in the amount of children that are actually coming into early childhood settings. Myself and a colleague, Marianne Fenech, we’ve currently got an ARC funded project where we’re looking at why parents are choosing different types of care-giving arrangements for their children, and we have now two surveys, one of which is done with 750 respondents from the general population and one is ongoing with 750 respondents at the moment, approximately, from current users of early childhood services and prospective users of early childhood services.

When we’ve asked them, “Ideally, what do you think is the best form of formal care for your child?” as in out of home care, nannies are the least preferred. Only approximately two per cent across all of those groups said nannies. Grandparents, yes, they are preferred or immediate relatives are certainly preferred. Again, this is something that we need to look much more into, I’m not sure that giving grandparents a rebate is going to actually increase that pool of grandparents happening. I think probably the ones that want to look after their grandchildren - - -

DR CRAIK: Want to do it, do it anyway.

DR DEGOTARDI: - - - are kind of doing it anyway.

DR CRAIK: Yes, I think that’s probably right.

DR DEGOTARDI: It might give them a bit of extra money to help with that but I don’t know if it’s going to make a difference. So, pragmatically, as I said, 25 per cent currently are in centres or out-of-home care for nought to twos. I think that’s what we’re looking at if we want women to come back into the workforce. Even if you were to fund a generous maternity/paternity/family-leave package for the first 12 months of life we’re still then looking like what’s happened in the Scandinavian countries. We’re still then looking at a

very rapid influx of one to two year olds. They still need that same quality that the under ones need as well. So, yes.

DR CRAIK: Okay. That's good. Thank you very much for that, that's been great.

DR DEGOTARDI: You're welcome.

DR CRAIK: Sorry, Sandra, I've been following this with interest, so off you go.

MS CHEESEMAN: Sandra Cheeseman and I'm from the Institute of Early Childhood, Macquarie University. I'm an early childhood qualified teacher. I've been director of long day care, I've worked as a senior manager in the provision – in a large not-for-profit provider and for the last 11 years I've been an academic researcher and lecturer in our teacher education program at the institute.

I'm responding largely to the information request 7.1 relating to the expected impacts on the development of children under 36 months of focussing required teachers in centre-based care on children over 36 months and, in addition, I'm also going to comment on the recommendation 7.2.

But I wanted to begin the presentation by contextualising the use of the term “quality” within the draft report and in the opening remarks and, indeed, in the terms of reference, Mr Hockey ask the Commission to make recommendations on the contribution that access to affordable, high quality childcare can make to increased participation in the workforce for women and optimising children's learning and development.

He suggests that families are struggling to find quality childcare and refers to quality in the government's objectives to commissioning an inquiry. A commitment to quality is also noted in the overview, as the States and Territories are committed to strengthening of service quality. But throughout the remainder of the report there appears to be considerable slippage in the use of the terms “quality” and “high quality” and I take the question that you asked to Sheila of it's very difficult to define but I find there's a lot of slippage in the report.

DR CRAIK: When you say slippage?

MS CHEESEMAN: It's variously used. “High quality” is dropped off.

DR CRAIK: I see.

MS CHEESEMAN: After the terms of reference, and “quality” then takes its place.

DR CRAIK: I see what you're saying.

MS CHEESEMAN: So a quick analysis shows me that the term “high quality” appears most often in the report by parents or providers when they want to describe the desired early childhood provision. And then in other parts of the report the qualifying term of “high” is often dropped from the text and we're left with the rather ambiguous term of “quality” with no qualifying measure.

There seems to be an undertone within the draft report that somehow “high quality” now refers to something discretionary, luxury, affordable only to some or appropriate for children experiencing disadvantage, and yet, much of the research referred to in the report often refers to “high quality” as the qualifier that makes the significant difference to child outcomes. I’d like to see the term - - -

DR CRAIK: I think, probably, we’re not as sensitive to it as you are but we are now.

MS CHEESEMAN: Yes. I thought I’d just draw your attention to it. So I’d like to see the term “high quality” returned to the body of the report as the terms of reference suggest. So, having noted this, I believe that infants and toddlers are the big losers in this draft report in relation to high quality. The proposal that they should be exposed to educators who are only required to hold at least a Certificate III or equivalent, in my mind, is an unacceptable downgrading of the quality requirements of the current NQF.

According to the standing council on school education and early childhood, there is increasing recognition that the work of caring for and educating young children is complex and requires enhanced qualifications and ongoing professional development. Indeed, if we look at the two of the studies referred to in the draft report, as provided in the draft reports where it’s inconclusive evidence, we find that neither of these studies were addressing the key research questions of qualifications impact on children’s learning development and outcomes.

Since writing this I’ve also thought, sitting here today, one of the things that I find happening is the struggle to try and find large scale, quantitative research and make qualitative decisions out of it, and I think that that’s really problematic because we don’t have a lot of large scale, quantitative studies on birth to threes. I think you’re right about that but we’re trying to make qualitative decisions. We have a lot of qualitative research that indicates, as Sheila was saying, the importance of qualifications.

There is emerging evidence of the benefits for young children and I’ll leave – Sheila’s probably covered that sufficiently. But in short, good quality staffing underpins good quality practice, no matter the age of the child. I think the evidence is inconclusive because there has simply not been adequate studies undertaken to address the question that we need to ask which is, “What difference do the level of qualifications of staff make to the learning outcomes and wellbeing of children under 36 months?” We simply don’t have the evidence.

In the absence of robust evidence, however, that addresses this question, should we immediately make the assumption that qualifications simply don’t matter. Given the significance of the available evidence on children over three, who have been substantially more researched than those under three, should we not err on the side of caution and say that in all probability, and until we can conclusively clarify the situation, that if children over three benefit so convincingly from exposure to more highly qualified educators, is it not also likely that this might be the case for children under 36 months.

I suggest that further analysis of these reports and the local context within Australia and requirements for qualifications of staff be carefully considered before arriving at the conclusion that we can make childcare in Australia cheaper on the grounds of the weak evidence base that’s inconclusive.

I want to move now to talk particularly about the Certificate III, and this is the focus of my research at the moment, is doing analysis of Certificate III and diploma for their capacity to deliver learning outcomes for children and my interest in that is that I am doing some research unpacking the early years learning framework. So closer scrutiny of the suggested Certificate III as the qualification for people working with birth to three, and even the diploma qualification, suggest that they may not in themselves have the capacity to deliver enhanced learning outcomes for children.

As other people have said today, Certificate III is described as a qualification that heavily emphasises a supporting role. The units of study within the Certificate III program are heavily weighted to content covering physical health, development, welfare and care of children with limited inclusion of units to support children's learning. There's a single unit that covers learning in any specialist way.

There is only a single unit within the program of the Certificate III designated to specifically address working with infants and toddlers, so it's really spanning the whole birth to five age range with only one unit of study and it's called "Provide Care for Infants and Toddlers". While there's little argument that the content of this program is useful as an entry-level credential, it is not a specialist program designed to qualify people to work with children birth to 36 months with no further support or supervision.

Any assumption that this qualification might contribute to positive learning outcomes for infants and toddlers must be viewed sceptically. The minimum qualification requirement as part of a career path strategy to professionalise the workforce and ultimately improve quality, which was one of the ambitions of the NQF, will be significantly derailed under proposals in the draft report. In reality, the Certificate III is designed as an entry-level qualification, attracting often young and inexperienced people who have not gained entry to a higher level of study.

It is reasonable to suggest that those taking up the Certificate III program in the main will not hold a higher qualification and, as such, will probably represent those at the lowest end of the educational attainment. Those who have intellectual capacity to move onto the diploma will no longer be required to work with babies and toddlers under this proposal and will leave to work with older children. The workforce for Australia's infants and toddlers will largely be a constantly revolving door of entry-level, young and inexperienced people along with those who do not have the intellectual capacity to move to a higher level of study. They will not work for those low wages otherwise.

I know of no conclusive evidence that suggests that this is going to be in any way beneficial to any child, least of all those who most need to be exposed to a knowledgeable, responsive and stable workforce. Such a proposal conceptualises infants and toddlers as waiting to learn when there is conclusive evidence that children learn from birth. This represents a retrograde view of infants and toddlers which is not consistent with contemporary images of young children in a globally competitive world who learn from birth and are required now to be lifelong learners.

I'll end with a quote from the infant/toddler expert from the UK, Colwyn Trevarthen, who in 2011, wrote:

Children under three have many competencies that appear paradoxical to a rational, individualistic and logocentric cultural world and that are remarkably neglected in standard education theory and especially in administrative practices and policies, by which nurseries and childcare centres are regulated by governments in modern cities and states. The natural creativity and cooperation of infants and toddlers, their self-produced motives for acting and knowing with other people are given less attention than their needs for care and protection. They are perceived to require instruction in the skill of moving, speaking, reasoning and behaving well socially. Childcare institutions to replace traditional care in family communities must be more than protective.”

Thank you.

DR CRAIK: Thank you. I think that’s been really clear so thank you for that. We look forward to receiving your submissions. You had a sentence in your submission, this was your submission for the draft report, so it’s harking back a bit.

MS CHEESEMAN: Thanks.

DR CRAIK: It was a joint submission, but you do have a sentence in there that I’d be interested in you explaining a bit. You said this is all about the need for mentoring and leadership in infant/toddler settings and you said:

In addition, the lack of a robust qualification requirement for the educational leader within the legislation provides little assurance there will be a direct benefit to children from such an appointment.

This is particularly the case in the infant/toddler settings. So what are you actually saying: that for a person with – educational leader; are you talking about a university qualified person?

MS CHEESEMAN: Well, the NQF doesn’t specify the qualifications of the educational leader and that’s really what I’m alluding to there, is that the educational leader can be anyone that’s appointed by the employer to be – who is considered to have adequate or – I can’t remember the exact wording but suitable qualifications and experience.

DR CRAIK: So what qualification would you suggest is robust?

MS CHEESEMAN: I think every educational leader should be a university qualified teacher. I don’t see how you can be an educational leader unless you’ve had that level of study, thinking and complex decision making.

DR CRAIK: All right. Well, I think that’s been very helpful. So we’ll look forward to those references and things. One question before you go: is the research any of you guys are doing, is that long term research or is this – like is anyone proposing to follow longitudinal - -
-

DR DEGOTARDI: Longitudinal research at present. What we’re looking at are the emerging findings from the LSAC study, the Longitudinal Study for Australian Children, and I think Linda Harrison is probably talking to you in a couple of days in Melbourne about that.

At present, no, there is no long term research. We need it in Australia. I'm currently doing a – not a long term but a comprehensive study where we're looking at hopefully getting about 80 centres involved in that study and so that will be probably about the biggest infant/toddler specific research, so watch this space.

DR CRAIK: I would have thought it would set itself up nicely for something like an ARC linkage grant or something like that.

DR DEGOTARDI: Yes, it should do.

DR CRAIK: That sort of long term research because I think it, the sector, desperately needs it.

DR DEGOTARDI: Well, we need major government or it will be hugely expensive.

MS CHEESEMAN: Absolutely.

DR DEGOTARDI: And we need major government funding to assist with that but Australia seriously does need it.

DR CRAIK: Because there's a lot of taxpayer money going here and taxpayers want to see the results.

DR DEGOTARDI: That's right, absolutely. We do need it.

DR CRAIK: Thank you very much. Thank you. We'll break now for afternoon tea for 10 minutes and if you can be back at 3.15 that would be great, thank you.

ADJOURNED

[3.04 pm]

RESUMED

[3.17 pm]

DR CRAIK: The next person is Amanda McKenzie. If you could state your name and where you're from and, if you've got a brief opening statement, we would be happy to hear from you.

<MS MCKENZIE: My name is Amanda and I'm just a parent.

DR CRAIK: Not just. A parent.

MS MCKENZIE: I'm extremely nervous, so excuse me. I'm actually a single parent and I've got a 20-month-old in day care and we've been to four day care centres. We're currently split between two, as I discussed, because of the fee issue. Basically, I wanted to talk to the Productivity Commission as a consumer of the service. My daughter is going to be in care for the next 10 years, for some form of day-care/after-school care. We have been involved in it since she was nine weeks' conceived, I think you call it, because that's when we had to put her name down, and I was actually told at that point - going, "You've left it so long," and

I'm, like, "Honey, the line's just turned pink" and they've gone, "Oh, no, we've got a three-year wait list." I'm like, "Gestation is nine months." In the Lower North Shore, you literally have to put your name down, if it's open, for years.

As we were just discussing, one of the day-care centres - she's still out there one day a week - has had, in the last six months, a 30 per cent increase in fees, blamed on government costs and the change to Huggies nappies. It's a brand-new centre; it opened in July last year. It would take over 200 kids. It has three floors. They have put the fees up, \$20 in January and \$10 in July, and people have just had to suck it up because the wait lists on the Lower North Shore are so extensive that you cannot move. So, your choice is, as a parent, to give up work or absorb the cost. For me, that cost was just over \$6000, post-tax, in a family budget, and that's the additional cost, not the day-care cost.

I work full-time. My daughter, because of the cost changes - my boss was fantastic. I keep her at home one day a week, so I juggle her at home and trying to be an operations manager, which is a challenge; let's just say, Dora and Peppa Pig get used a little bit. Thank God for ABC. We're a huge consumer. I can't work and, therefore, pay taxes, without early childhood care. My issue is that we're paying it post-tax. I know there's the \$7500 but all ours is post-tax at the moment. We're not getting any tax rebate because of the cost, and it is a direct cost of going to work. No other form of education - and I believe early childhood and day-care centres are a form of education - you're asked to base your income on it and wear the whole cost. So, the 160,000 - can you imagine saying to a parent of a primary school person, "I'm sorry, your family earns \$160,000. You're going to have to pay the whole cost of your primary school education." It just doesn't - from a parent, it doesn't seem logical.

We're putting so much focus on early childhood learning, they're going there - my daughter - she's 20 months. I don't know if it's special or whatever but she just counted to 10. We were playing knock-knock jokes this morning. She's learning the ABC song. She has a boyfriend, I know, who's Otto, and they play hide-and-seek together. She's 20 months; Otto is 18 months.

You asked about the quality of care. One of the childcare centres she was in, we went through over 15 different people when it first opened; it was just a revolving door of young, straight-out-of Cert III, or whatever it is, coming in, leaving, et cetera. Once she got some stable educators, she blossomed. I'm proud enough to say, her learning is not down to me; there's a lot to do with that early childhood centre and the stability of care and the dedication Haley, Georgia and Bec have shown to her. Her social interaction is huge for an only child. She gets to mix with people. We don't have a street full of people anymore and mums visiting around, or dads visiting around, because it's not just, necessarily, the mother, so day-care is where she gets her learning, she gets her social interaction.

That quality of care, once it stabilised, I really noticed a difference in her. Her language is over 200 words. She says "Hi", "Bye", "Thank you." She eats when she's supposed to because the other kids when they're supposed to. I'm proud enough to say I'm a better parent because she's in early childhood care and I get to work.

Stay-at-home mums, it is a choice and that is a perfectly valid choice but, for me and my child, the ability to go to care makes us a better family unit, and we're also contributing more to society by me being able to work.

That educational cost around her care - nobody would say to somebody, if you're in primary school, "You're earning 16,000. You're paying fully for that care and education for that child." We wouldn't do it for a tertiary person either, which is optional care, so why are we not seeing long day-care centres and early childhood learning as one of the community contributors to education and funding it as such, like we do with primary, secondary and tertiary? I just don't know. We're asking parents to bear the entire cost if your salary is there.

In terms of the fee variation, parents are exposed to huge amounts of risk here in impacts to family budget. You've heard my story about the 30 per cent increase for a new centre. Facebook - it comes up time and time again that people are dropping out of work because (a) they can't get the wait list in, because wait lists around the Lower North Shore are around two/three years - there is no space for zero-to-twos, so they're dropping out of work, they're not returning. They're having to find alternative, maybe non-safe, care; they're bringing in au pairs, et cetera, that are not skilled. They're looking at family, then moving kids around. There was a Facebook post recently where they don't have after-school care, so they dropped their kids early, go to work and they're unsupervised at school for that period because there's no after-school(sic) care available to them.

We're impacted with the cost like no - it's as much as a mortgage. I look at paying for Azalea's care - for the five years before we starts school, my budget is over \$100,000 post-tax, for her education and for me to go to work. I don't have a partner who can stay at home. I don't have the benefits of dual income, even though I earn a huge amount of money, comparatively speaking. Sydney costs and day-care costs, particularly on the Lower North Shore, they're - what was the phrase that I got told - priced to what the market will bear. Our costs are, around average, \$130 - the developers are moving in, which is what happened - as opposed to the national cost of being \$78/\$80 for a zero-to-two, so we're exposed to a lot more cost simply because of location and our budgets are just being stretched left, right and centre.

While my income is quite high on the national scheme, my outgoing costs for day care, living expenses, et cetera, are quite huge. That's why I had to drop a day. The benefits of me staying at work are huge. I would not get the position I have now if I dropped out for five years. I wouldn't have the super, because - an old person - most people of childbearing age, that dollar that they put to super now means more than when they are 50. So, the impacts to families - to single parents it's huge because it gives us an opportunity to demonstrate to our kids that you go to work, you don't live on welfare, et cetera. They're seeing somebody go to work. They're used to doing it because they're attending school from a very young age.

I guess, from my point of view, I just wanted to give what it's like to be a parent and a consumer and the benefits my child gets from early childhood, but the pressures we're under financially as a result - - -

DR CRAIK: Thank you. What you say reflects a lot of what we got in submissions from people about costs and rises and things like that. In your notes to us, you talk about the costs and where it will end up. I guess, the modelling that we've done suggests, if a family income is background 130, and 160 thousand, the cost of care is less than \$10.60 an hour - under the deemed model that - the model that we've done, the family would be better off.

MS McKENZIE: My concern is, the \$17,500, when it was brought in, I think, in 2000, it was indexed.

DR CRAIK: Yes, it was.

MS McKENZIE: And then it was cut. And you look at what's happened to family tax benefits A and B; they're cutting it back. So the modelling, while it may be there at the moment - does it mean it's not going to change and impact - - -

DR CRAIK: Change in the future.

MS McKENZIE: Yes.

DR CRAIK: One can't guarantee what governments will and won't do but what we would propose in our recommendations is that it be - whatever mechanism it is - legislatively built in, so it's automatically indexed each year in terms of - but you can't - there's no way you can guarantee 100 per cent - - -

MS McKENZIE: Yes. I still don't think - like, for me, I may be better off but other parents are not going to be. If you look at the 160,000, most families have one major income earner and a person who earns a lesser amount. If you look at then taking that out, they're going to drop out of work, and Facebook has been - and I know it's not a great gauge but North Shore Mums and other Facebook pages are just going, "I'm just not going to be working." You look at the report that came out recently that said the average female return-to-work is earning about three or four dollars, I think it was, per hour. It's just - I don't know the modelling but I do know families are saying, "I'm going to drop out of work."

DR CRAIK: One of the other things that we've done - because of the nature of the way we've designed the subsidy, it does, in some cases, improve the problem of affecting marginal tax rates that happens between - you know, the interactions between the tax and welfare system, so that does actually make it better, even when you think the total cost might be worse.

MS McKENZIE: Yes.

DR CRAIK: In terms of your 20-month-old, as we understand, under threes cost nearly twice as much as over-threes in a childcare place. Are the fees the same in your - for under and over?

MS McKENZIE: No. It is scaled. It's 130 at one centre, then it drops to 110 - 120, then it drops to 110 for a four-to-five-year-old. Most of the scaling in the Lower North Shore - there is a fee variation. In the Lower North Shore, there are only a few centres that will do zero-to-twos; most do two-to-five. In the Lower North Shore - I live in Lane Cove - there's a 35,000 population there. The majority of the demographic is elderly or zero-to-five. There are two tiny preschools and one preschool attached to a tree-hugging hippy school, and most of them are in long day-care centres, the preschool programs.

In the Lower North Shore, if you look at where the educational model sits, most of the uni-qualified people are the directors and they do the admin, so they don't have huge amounts of interaction with the kids, so their learning isn't applied to - they're doing the

bookwork, the rosters, the payroll, et cetera; they're not actually spending huge amounts of time with the kids. The large day-care that I go to, they've got different floor-walkers, et cetera, but they're basically all Cert III.

Once you get stable, you certainly notice the difference but, yes, the programs around the place - there are hardly any preschools any more. They're all going, now.

DR CRAIK: Okay. We'd better wind up now. Thank you very much for coming.

MS McKENZIE: Thanks. Sorry.

DR CRAIK: No. Don't be apologetic at all. Thank you.

The next person is Greg McLean from the Australian Services Union. No? Have we got Albina, Margaret and Stephanie? Would you like to come up? Would you like to say your name and who you represent and give us a brief opening statement?

MS CAREY: Yes. My name is Margaret Carey. I'm here with my colleagues to represent a newly-formed group, the Early Learning Coalition. I think we're unique because we represent the great divide that's traditionally existed between the private sector and non-profit community services. Our coalition is made up of approximately 30 directors that come from the private sector that are owners and managers of smaller services, and people from the community-based service area.

We'd like to address the Commission on a number of points. I actually feel like we're repeating a lot of what the presenters from Macquarie University talked about but we're going to keep on at it anyway. We'll try and do it from a - - -

MS BRUNO: We're the practical side. They're theoretical; we're practical.

DR CRAIK: Okay.

MS CAREY: Stephanie Bruno, to my right, will discuss professional wages as an indicator of quality, and I realise quality was something that was discussed a lot by the Macquarie University ladies. Professional wages is an indicator of quality which directly impacts on affordability, which is one of the terms of reference of the Commission. Albina Porracin will talk about the impact of ratios of a quality-service provision.

The particular point I wish to address is the notion that children under three years of age do not require an early childhood teacher or anyone trained above a Certificate III level. Research about early brain development and the importance of this first three years of a child's life is everywhere. Among professionals in early childhood, and I think it was reiterated by Macquarie University, this is already a given. The more highly-qualified the educator, the better the quality of education outcomes for children.

I'm a director of a community-based long day-care centre and we already implement the National Quality Framework, up and above the ratio requirements that have been put in place for 2015. We implement this because we see it as the epitome of quality. We follow the Early Years Learning Framework, and this is the curriculum document from the Department of Education that gives the early childhood sector a very real and valuable pedagogical

context to work within. It is the framework that understands play-based and child-centred learning, it sees positive relationships as paramount and it makes clear that care and education are not two separate entities, that they are inextricably bound. That also, I feel, was backed up by those wonderful women from the university.

I wasn't going to read this out, but I decided to because I thought it was what would make us different from what they were saying. You asked the question about quality. We do follow the Early Years Learning Framework and the National Quality Framework. So in action this sort of curriculum works along these lines, well, it does in our centre. We follow individual children's interests. We work in partnership with parents and caregivers. In action this means team meetings, staff meetings, informal and formal communication with families, family and community events. All these are based around the cycle of educational program and practice as described in the National Quality Framework.

Each centre has the freedom to act upon educational directives in the way that they choose. In our centre we have an educational leader who has a Masters in early childhood. She coordinates and oversees the cycle which consists of gathering information from families, observations by educators and reflective practice. The program is informed by a calendar of events, by provocation, by planning activities in environments that respond to children's interests and scaffold their understanding. We send out a daily diary from each room that describes learning that the children have shown that day. We do individual portfolios that make their learning visible, and we do half-yearly and yearly developmental summaries for everybody; and this includes the babies.

Our centre has – we have two ECTs. Actually they both have Masters of early childhood. We have five diplomas, five Certificate IIIs and of those staff we've got two enrolled in a Bachelor of Education and another one in the diploma. We have always supported professional development and ongoing learning for staff and I think our centre has a reputation of quality that's been built up over nearly 30 years of operation. We do not advertise at all and we have a waiting list of over 600 people on it because I think we're recognised within the community. Anyway, back to babies, because that's what I originally started to talk about, sorry.

I realise that there's a preconception that looking after babies and toddlers requires less brain than brawn. The physicality of working with very young children is not in question. What is in question is whether they benefit from a professional who has a depth of understanding of child development, who can make visible children's learning, who can respond with intentional teaching moments and who parents can trust is doing the job. I cannot tell you how counterproductive it is to hear statements along the lines of, "Why do you need a degree to change nappies?" Perhaps one day we'll have a robot to do this and imagine how meaningful that interaction would be for the child. Well, I believe you need a degree because it gives a depth that other qualifications don't. It provides knowledge of formative developmental theory and current pedagogical understanding and you can see the positive impact of this knowledge with the children.

One of our main roles at the centre is as the partner, as the adviser, as the expert for parents who need help or advice with a myriad of issues they have with their children and babies. We cannot do this unless we also have a depth of knowledge that allows us to understand the problems and speak with authority which is informed by current best practice and research. To presume that a Certificate III even wishes to take on a role as a room leader

or in charge of a roomful of under-twos or under-three-year-olds is unfair to the educator and families and, more importantly, it's unfair to the child.

In the draft report there's a recognition that disadvantaged children would benefit from care and education being provided by people with higher qualifications. But I would argue that disadvantaged children and families are not in pockets that are sort of away and isolated and can easily be targeted, that they actually exist in every centre. There's children with additional needs, children with problems that are diagnosed or not diagnosed. There are families with mental illness, postnatal depression, families in crisis, serious ongoing illnesses and much more. These are the people that we actually deal with every day and we can't do this unless we come from an informed place.

I would suggest the issue of more highly-qualified educators is purely economic. And I think the mum who spoke before sort of pointed out the huge burden of expense that as a parent you take on when your child goes to childcare. We follow a curriculum that links to infants in primary education. It's overseen by the Department of Education and Communities. Early childhood is an educational sphere and there is always an economic model to deliver education in New South Wales. It's called the Education Department, I think.

We cannot afford to continue with a dichotomy that sees an ongoing argument over whether what we do is care or education. It is undoubtedly education but the level of care is so much higher because babies and young children are vulnerable. That is precisely why we need highly-trained educators and why we need teachers. Because if we don't, at best, what we have is well-meaning, loving carers for small children, but at worse, we have neglect, we have the Romanian orphanage version of childcare.

There's a lot of rhetoric about how much you spend in early childhood. However, the sector itself does not actually get much of this money. It's paid directly as fee subsidies to parents. If instead there was a rethinking of the economic model that supported early childhood, then the amount of money invested into the system would actually have a far better outcome. And I really don't know what the answer to that is. All I can say to finish up – I'm very sorry because I know I've gone over – but at the core of any decision we make about the early childhood sector we have to think about the child.

As early childhood educators that's why we're here and that's why we're a unified voice, because the wellbeing of the child is paramount to anything we do. It's in our code of ethics from Early Childhood Australia that we follow, it's what we do, and that's the reason we're here. Anyway, I'd like to introduce – Stephanie, are you going to talk next?

MS BRUNO: Yes, certainly.

MS CAREY: Stephanie is going to talk about wages.

MS BRUNO: Hi. I've worked in the early childhood sector for over 17 years, both in community based - - -

DR CRAIK: Sorry, can you say your name first?

MS BRUNO: Sorry. Stephanie Bruno. For 17 years, both in community based and non-for-profit and private centres. At present, I'm the assistant director and the educational leader at Barfa Bear Childcare Centre. This is a privately-owned service. I've worked at Barfa Bear since my first son, Domenic, was born eight years ago, and I'm now a proud mum of three primary school children. I was very blessed to have all my children come to work with me at my amazing centre.

I often get asked, "Why early childhood?" Thirty-three years ago I was a four-year-old little girl who had limited English. I was very shy and left-handed. I can still remember my early childhood educator. Her name was Ms Gunn. She took me under her wing and taught me how to interact and become a confident child. I truly believe that this was my calling. I wanted to be like her. I often think about those days and, funny enough, I've seen her through my adult years and I have told her that she inspired me.

Every day in my position I'm challenged with something new. One day I'm a child's nurse, one day I'm a mother's counsellor, one day I'm a teacher, one day I'm a friend, one day I'm a family adviser, one day I'm a mum just telling a personal story. At present, I believe I have found quality as I have an amazing team. I have two Certificate IIIs, one diploma trained and three early childhood teachers – and I'm only a 36-place centre, so I'm really, really lucky – who have offered my family nothing but high-quality care and education. They offer an engaging and safe environment, respectful relationships with children and their families, connections within our community and a respect for themselves and their peers as educators.

To enter into the early childhood sector you need a Certificate III, a Senior First Aid Certificate, training on asthma and anaphylactic action plans and management, working with children checks and constant ongoing personal support and in-service training. I am baffled by the notion that we're still seen as glorified babysitters when clearly we're qualified professionals. You have spent months learning about the early childhood sector and I ask you now why are we not paid as professionals? Low wages have been an issue in the sector for too long. Educators earn as little as \$18 per hour while qualified trades people earn \$10 more. There has been so much talk about supporting women to return to work, but early childhood educators are not included in this discussion. They are only seen in terms of wages.

Right now over 60 educators leave the sector each week. There is undoubtedly this is due to low wages. Educators earn more stacking shelves at a supermarket and many are forced to choose between staying in a job that they love and moving to a job that pays the bills. Staff turnover has led to a crisis in the sector. There is already a shortage of educators and employers in trouble recruiting qualified, experienced staff. The turnover staff greatly affects the children and the families who value and benefit from constant stable educators.

At present I have an educator who is married and lives with their parents and cannot afford to purchase their own home. I have an educator whose parents are paying for their early childhood degree as they cannot afford to pay their own bills, let alone pay to upgrade their skills. Personally, I've had to take three lots of maternity leave. I couldn't afford to take my children to care, so my mother had to take care of them. Two days a week literally I took my older son into care which just covered my childcare fees. I couldn't even pay my bills with the rest of my pay. My husband was left with working two jobs just to get us

through. The financial strain was very, very difficult. Unfortunately, I don't stand alone; there are many similar stories.

Early childhood is a female-dominated sector. We would not be in this position today if it was a traditional male role. As we continue to work on substandard wages, we are the ones subsidising fees. It feels like low paid women are expected to continue to work for substandard wages to prop up women who are paid more than us and sometimes much, much more. Affordability of childcare must not come at the cost of exploiting women any further. For many years educators have had no choice but to accept the long hours, the lack of recognition, feeling isolated as services run independently. But now more than ever educators are realising that we're all in the same situation, hence why we've joined this Early Learning Coalition.

We are struggling. There is a real crisis and we want to be recognised for the professional work that we do, not only within our service, but within our community and for the future of our country. Professional wages will mean that society will recognise the early childhood educators as professionals. We cannot do this without government support. Families are under enough financial strain without adding to their expenses. We have an amazing level of professionalism and quality standards already in the long day care services across the country. It is my strong belief that we need to maintain these standards. Rolling back the quality standards for the sake of a dollar is misguided and will have a terrible effect to the children in our centres. They deserve the right to quality early childhood care and education. The quality standards are upheld by professional, qualified educators, and we deserve the right to be paid professionally.

DR CRAIK: Thank you.

MS PORRACIN: My name is Albina Porracin, I'm an early childhood educator, coordinator and an educational leader. I have my Bachelor of Teaching in Early Childhood. I'm currently studying my Masters of Teaching. But I started off with my Cert III and got my Associate Diploma back in those days and then gradually got my teaching degree. I have the privilege of owning two centres in Beaumont Hills. Beaumont Hills Long Day Preschool is a three to five centre. And right next door we have a 24-place centre that's for nought to threes; and that's a 24-place centre.

We've owned the centres for six and a half years and we have learned over the years that we need to use higher amounts of staff than the recommended by law. So for the three to five year old centre we're meant to have three educators, one being a teacher and two could be whatever, another diploma or untrained, if we like. It doesn't work. If we want to provide high-quality care for our children we need to really look at how the centre is actually run. So we put on two more staff. So we have five staff full-time every day. In the other centre we have seven to eight staff every day. On top of that, we have our inclusion support funding for our additional needs children which we've seen an increase in over the years.

The first five years of life provide the building blocks to the citizens who will contribute to our society in later life. The relationships children develop in the first five years of their life shape the way the children learn and grow. Early childhood education and care provides children and their families and community with multi-skilled, flexible educators. These educators are trained to individualise care, promoting physical growth, social and emotional wellbeing, behavioural guidance and cognitive and communication skills.

The role of the early childhood educator is complex and varied. Early childhood educators support a development by providing families in the community with a safe and nurturing environment using child-centred educational programs to promote growth and development. Children need time and patience from their educators to learn, grow and develop to become socially and emotionally strong and secure. They need positive role models to teach them how to play and interact with others. The experiences provided to children in these early years stimulate brain development and create connections with everyone, as I said before.

Our education and care services have built relationships with local families, school businesses and other care and educational services. So we've got Hills' directors' meetings and educational networking meetings that we do with the other leaders in the area. We have a sense of community and developing an understanding of their space in the world for the children and our families. We also provide a network for our families. We introduce them to other families and other services out in the area. So we're kind of a central hub for them in that way.

Educators can only deliver high-quality programs such as these if we've given adequate programming, planning time and ability to spend one time with all the children throughout the day currently provided by increased educator numbers. The Early Years Learning Framework outcomes place an emphasis on the importance of relationships that develop between children and their educators. The fees costs may be considered high, as the mum was saying before, but are required in order to provide high-quality care and education. This is not so we can make huge profits, but merely to cover the expenses associated with providing education and care services. To retain our staff we need to try and offer them higher wages if we can than what's suggested by the awards. To retain our staff we need to have a better working place. So that's why we put on more staff as well, to make it less stressful for them, the children and the families.

Close to three-quarters of our fees go to our educators' wages and superannuation entitlements, which our bank kind of dislikes because we are a mortgage-owned business, with the remainder towards the payment of loan interest and all other expenses involved in maintaining the service. I believe the government should contribute more – if not all – there's a hint for you – but not reduce what is currently being offered on their behalf.

My three greatest concerns are that the ratios, the qualifications of educators and how it affects our staff and trying to keep our staff, because as an owner we need to try and keep them, we need to promote staff wages for the educators. One of the Productivity Commission's own principles is to ensure safety and quality care of children including achievement of learning and developmental outcomes appropriate to a type of service, which is great. But I believe that to follow the Productivity Commission's recommendation 7.2 to allow services to temporarily operate staffing levels below required ratios, such as maintaining staffing levels on average over a day or week rather than at all times, is very scary.

For an example, actually the day before the draft came out that you released I had a staff member go home. And she was on a closing shift. For me, of course I'm going to replace them. But under these proposed laws or recommendations, sorry, if I didn't say replace them as an example, that would mean there would be one staff member on close for the half hour

besides the staff member we're – we're one down is a way of explaining it. We'd have one person taking care of all the children in our nought to three centre that are left until 5.30, 6 o'clock, because our licence closes at 6.00. Then they would have to talk to the parents and meet the parents' needs, supervise the children and be able to manage all that. They'd just walk out, they couldn't cope with it. There's no way they would do it. None of us could cope with that on our own.

One educator cannot provide supervision or adequate supervision on a high-quality of care to all children remaining and their parents at this time. Like I said, they're going to walk out. This would lead to educators losing their jobs because families wouldn't want to stay at our centre because I've had families come to our centre upset with other centres, but they want that kind of care. They're not interested in nanny and things like that. They want to come to us because they want the support and education and the networking that I mentioned before. This would lead to educators losing their jobs and the centres closing down.

Children need quality interactions. These can only be provided by higher educator ratios. During the week I actually heard Dr Anne Chalfant believes that undivided attention is needed to prevent anxiety. If we have like limited ratios of childcare workers and educators, they're not going to get that undivided attention that they need and they will have more effects that will concern these children. These children require individualised programs, one-to-one support to correct behaviour through positive role modelling, as well as additional needs. A lot of children these days we're seeming to find that come through centres need extra help and support, and that's why there's the funding. May I say that inclusion support funding works really well. It would be great if it covered all of our educator costs for that, because we obviously pay for that, for the assistance.

To provide parents with respite they need and the community with other working adults, the children need to be nurtured and supported in an early childhood setting. Currently children with additional needs are supported in my centre by providing the additional staff, and sometimes at a cost to me because we can't get the funding in time and it's just really hard for the staff and young children if we don't do that. So it needs to be quicker. If we could possibly do that, that'd be great. The Early Years Learning Framework outcomes place emphasis on the importance of the relationships that develop between children and their educators. Quality interactions are essential to child development. Children require time playing, talking, listening, interacting with trusted adults and peers to develop communication, problem-solving skills, social and emotional skills and positive self-esteem.

Providing safety and quality care to children cannot be guaranteed if educator ratios decline. As I said before, there'll be like a lifeguard supervision mentality. We'd have to just stand there and go, "They're okay. They're okay. They're okay." We're just trying to stop someone biting but you can see it over there and you can't stop it, do you know what I mean? Behaviours we need to deal with in one-to-one situations include, like I said, biting, language delays. We need to support the children if they have language delays in using those words to prevent any other accidents like hitting or biting or hurting, throwing furniture. Believe me, we've seen it, it happens. Disagreements between children, and there are many others - educators support (indistinct) prevent this as a prevention. Like we go through a prevention is better than cure idea because we don't want to have litigation or anything like that. We need to be ready for it. Not just because of that, but also because we're there to care for the children. We're there to make sure their needs are met before we get to that

statement. But some centres probably feel the other way, that they want to make their profit, but that's not where we are.

I surveyed my team this week actually about their concerns educators – about the idea of the ratio being reduced. Some of the quotes that came out were, “Educators will be more stressed and there'd be likely more accidents due to reduced supervision.” I think maintaining ratio is more important to ensure adequate supervision. There was also a concern for babies' needs not being met at all or on time or when needed such as changing a nappy or putting them to sleep or feeding them when they're hungry because we're trying to get something else done because we haven't got enough educators there. Like I said before, I may have forgotten to mention, but I only need five technically in my nought to threes centre but I have seven to eight.

Following the draft recommendations as set up the Productivity Commission I believe would adversely affect the educational quality and care provided by education and care services. Children will not be given the opportunity to grow and develop in a positive learning environment as educators will be further stretched to complete their required tasks, including documenting child development, accountability checklists such as work health safety checklists that we do, programming, nurturing, feeding, cleaning and, most importantly, providing individualised attention and child-centred learning. Family and community members will be presented with children who are less socially and emotionally ready to engage in society and in a learning environment, making it difficult for children to reach their full potential when they arrive in the formal school environment and other situations in society.

The early childhood education and care sector requires educators who stay long term, who develop positive relationships with children, families and the communities they work in and with fellow educators. The wider community needs to recognise educators for the quality of services they provide, their high wages and providing rewarding and less stressful workplaces. By following your recommendations, undue stress would be placed on educators and would lead to educators leaving the industry, which is happening at the moment at times. We need to look at ways of increasing educator numbers and qualify it with qualifications instead of directly raising numbers and lowering qualifications. Educators should be given adequate administrative time to complete administrative requirements so they can get to what is really important, the children. Early childhood educators are not babysitters. We provide education and care for our most precious individuals, young children.

DR CRAIK: Thanks very much. We've sort of run out of time.

MS BRUNO: Sorry about that.

MS CAREY: I would just like to add about the ratio thing because the early childhood sector work very hard to get ratios for under-two-year-olds down to a ratio of 4:1. There's some pressure now, I believe, to try and raise that to 5:1. Now, I don't know what your experience is with children. But if you're in a room by yourself with five under-two-year-olds, you can see the impossibility of doing that. It's bound to end badly. It's going to end in tears; that's what will happen.

MS BRUNO: We'd love you to pick our brains; that's what we're here for.

DR CRAIK: We might afterwards. Thank you very much.

MS BRUNO: I'm sorry for talking too long.

DR CRAIK: And I hope you guys are going to put in submissions.

MS BRUNO: Of course.

MS CAREY: They'll be even longer.

DR CRAIK: Our next speaker is Greg McLean from the Australian Services Union. Greg, if you and your colleague could state your names, position and organisation and give us a brief opening statement. Good to see you again.

MR McLEAN: Thank you.

DR CRAIK: Another subject.

MR McLEAN: Yes. I often end up before the Productivity Commission. Thank you very much, chair. My name is Greg McLean, I'm the head of the ASU's public services division, at a national level, which includes local government. With me today is my colleague, Lyn Fraser, one of our research officers, who's been helping with some work we're currently undertaking in respect of childcare, of course.

We've had an interest in childcare through local government, dating back to the 1930s, through the Depression era, into the '40s, '50s, '60s and onwards, to the expansion of childcare during the Whitlam era in the 1970s. Local government has had a role in it, both as a provider of childcare services, an administrator of family day-care services and also a regulator in respect of buildings and locations of childcare centres, as well; so it's both a provider and a regulator. Our predominant interest in childcare, from our position, due to our union's rules, is New South Wales, Victoria, Tasmania and a bit of Western Australia. That's simply the history of childcare when childcare educators were first introduced to the workforce. No one knew quite how to treat them and they were originally put on 40 hours per week, then 38 hours per week, and, basically, considers blue-collar workers in those days when the industrial relations system was a little bit more rigid between the two.

A couple of things. Firstly, some of the sentiments that were expressed earlier in respect to the rates and pay of childcare workers, I think, are very, very accurate. My daughter is a childcare worker here, holding a diploma, and, after completing her certificate - and I know the rates of pay they get. Whilst she's at home, in her early 20s, it must be extremely difficult for people to be considered, as a large breadwinner to a family, or a substantial breadwinner to that family, on the rates of pay that they're currently paid - and, also, the sort of work they undertake for that and their awards.

Local government, we do a little bit better than what's out there in the public sector, simply because, when we negotiate rates of pay for childcare workers, we negotiate them at the local council, in the same way we do with the term planners, the social workers, the beach inspectors from Bondi Rescue, or anybody else that works for the council, truck drivers, town planners, the lot. So, when we negotiate rates of pay in the Western Australia, New South

Wales, Victoria and Tasmania, we negotiate it either by a collective bargaining agreement at that local location in Western Australia, Tasmania and Victoria, and in New South Wales we negotiate it by way of a state award, which local government is still under here. That state award system also has underpinning salary systems at respective councils. So, we do a bit better in that than the private sector, which again is - often pressures on us foreseeing privatisation.

However, we also understand and know that local government holds a quality role in it. We know, from both evidence that we pick up, surveys we have undertaken in the past and sheer word of mouth, of the role of local government in a provider of quality childcare services.

One of the issues that you've outlined in respect of building regulations is something that we are concerned about. The Productivity Commission suggests that regulations should be determined in accordance with the Australian Building Code and/or national regulations. We're a little bit concerned there that the opportunity for local government to provide its own regulatory structures, where needed, is important. Of course, as you know, local government inspects a range of buildings, from factories through to swimming pools in people's backyards, and businesses, restaurants, the lot. We see no reason why a childcare centre should be treated any differently. The two documents I've handed up to you relate (1) to a tragic death of a child in family day-care, where that child fell through non-safety glass in a carer's home - and the second one, of course, relates to the ongoing debate, particularly in New South Wales, and I would think it's a lesser debate in some other states, in respect of high-rise apartments and the number of people that live in high-rise apartments, and carers in the sorts of buildings that require latches on windows, and that sort of information.

We'd probably urge you not to go and bypass the role that local government plays in that area and bring those two items to your attention; in particular, one of them was in very tragic circumstance and, I think, it shows why we need to be a bit more rigorous in the regulation of those buildings.

Another point: funding in general for local government. We understand 88 out of about 140 councils in New South Wales provide childcare services and, in addition to being direct childcare services, of course those childcare, family day-care schemes are often administered by local councils. One of the issues we would point out is it that - and I think there has been some mention about regulation of family day-care workers, and one of the issues we consider around those is the issue of natural justice, were a carer can be removed from a service virtually without no reason being given to them, unless they happen to work in New South Wales. In New South Wales, family day-care workers have a right of redress, before the Administrative Appeals Tribunal, to decide whether they've been given natural justice or not if they've been removed from the service. You might like to look at that format. Most states - I think, all states - do have administrative appeals tribunals, and that relates to the question of whether or not the licence should be continued. So, there's an answering issue there for natural justice for family day-care workers.

For the issue of education of childcare workers, the recent framework that's been implemented, I think, is movement in a most solid direction, and I say that's the framework that's been introduced over the last three years. I know, in talking to people who work in the childcare industry and providers of children's services, both private and public sectors, that they certificate level III to be an entrance level, and an entrance level only; so, looking for

people to be able to have educational services that also go on and use the diploma, I think, is an important step, and we saw that as a progressive step forward in the rollout of education.

If you talk to children that go to childcare centres, they refer to the carers or the educators as their teachers. That's how they see them as; that's how they see themselves as learning from them. As a matter of fact, I have a little plaque that I keep in my office of a little photograph of a childcare student, where he refers to his childcare teachers as "teachers". That's how they see them and I think that's how society sees them but they'd be highly disappointed to look at the rate of pay that they get.

A couple of other things. I mentioned earlier about the issue of local government regulation but one of the things that always strikes us as a bit of odd is - sometimes you'll see a glut of childcare services being provided in some areas and then a scarcity in others, so we question whether or not there needs to be a little bit of thought and planning around where childcare centres are based, and is there any point in building a new childcare centre around the corner from an existing childcare centre, just in respect of how much services one area take - and maybe that might push people to go to other existing - or to go to newer areas for that.

Local government has a concern in general about funding, and there are other funding pressures on local government, as we know, with the freezing of the FADS(?) grants, rate-picking in some states and ongoing shifting of responsibility to local government without commensurate increases in funding, so there's some pressure on that area as well.

In respect of one of the childcare centre businesses models that we saw some difficulties with some years ago was the ABC model, where, after it went broke, the amount of money that had been invested indirectly, by way of parents using the centres, had been used as leverage, and as some leverage, to increase that companies financial resources. It listed itself on the stock exchange and money that had been used for the establishment of those childcare centres, by way of - excuse the term - the voucher system, as opposed to what it used to be, direct funding for construction of centres - saw that money disappear to creditors. If, for instance, that money had have been used for by, say, local government, as an example, the bricks and mortar would still be there, as they are today, and those resources could be either used by the council as a direct provider or leased out to someone else. We'll have our privatisation battles elsewhere but there is a huge amount of infrastructure that is out there that can be used, and we're pleased to see a mention in your report of existing community infrastructure.

We've got a list of about 16 really quick points that we'll leave with you, and I notice that we're in a little bit of a rush for time, so we'll get through these pretty quickly. Just a few points to throw into the mix.

We see a need for extra funding for childcare. You simply can't do more with less. Remember that we have a population that is increasing, we have a population that is increasing in its living standards and we have higher educational demands on our society; so, more money must be invested in childcare, certainly not less.

We don't support the watering-down of qualifications or regulations that protect the best interests of the children.

We're disappointed to see low wages for childcare workers are not acknowledged in your report, although no recommendation is made. If you have a home-based early childhood education worker, wages and conditions need to reflect something in the formal sector to attract people to do it.

A needs system for families would give confidence that the best interests of their children are being taken into account.

In respect of deeming, we have concerns on the actual costs, the professional wages and rent, and also the inability of low-income workers to access childcare.

Issues of flexibilities need to be increased. We don't necessarily agree with the nanny solution.

Also, non-standard hours, workers need the same choice as other parents if we're truthfully trying to make the workforce more flexible.

The issues of 24-hours live-in childcare - we don't support that but we question whether or not greater interest or greater access could be used to family day-care workers for sleepovers. Some family day-care workers complain that the services in respect of sleepovers are not given enough publicity. I know that's a fact, particularly with women that are trying to advance their careers in areas where they're required to work shift work, in particular, police and fire brigade and other areas where - if a police officer, for instance, executes an arrest and then has to move towards completing paperwork and such, they just don't go home at 5 o'clock.

In respect of the employment protection issues, I made mention of the New South Wales Administrative Appeals Tribunal, and I think that shows that there are some regulations that can be worked through, both federally and state, to give some support.

We've mentioned the issue concerning the design of buildings and safety and the ability for local government to respond quickly where needed.

In addition to that, just coming on to the grandparents and other service carers that we've talked about earlier, we question where you can actually separate domestic work from childcare work if a person is in their home; that's a real big question that needs to be answered.

We obviously reject diminishing issues around existing ratios and point out that ratios were higher at one stage in New South Wales and then they were moved into the federal arena as well, so we've seen that debate take place in state levels and it may well end up back there, if such - who knows what the outcomes will be of the government's white paper in respect of federal and state government working relationships? That's another issue there.

Currently we are surveying our members that both work in the industry and use childcare. The survey is available on our website and accessible and we're encouraging participation in that. We've got some preliminary responses to that but we're not in a position to pass those on. We'll be happy, however, to pass those on to the Commission once we have some more meat on the bones, so to speak.

We also would leave you with the phrase that paid parental funding being diverted to childcare is a question. We're also raising that very serious question that - whilst you can provide paid parental leave to people, there is little point in providing paid parental leave if, once the period ends, they can't get access to childcare. The two go hand in glove and I think that needs to be thought about, in the provision of moneys to both areas, not just taking from one and giving to the other.

They're our preliminary remarks. We've also put a submission in, as you know, and we'll be happy to further correspond with you.

DR CRAIK: Thank you. Are you going to put another submission in?

MR McLEAN: We will, once we get the survey results.

DR CRAIK: That will be really good. That'll be great. Can I just ask you - I was going to make the point that these safety issues - I think these occurred before the NQF actually came into play, so I'm not sure - - -

MR McLEAN: The accidents?

DR CRAIK: Yes, the accidents.

MR McLEAN: The issue we referred to with the accidents there was on the building regulation issue, not on the carers' qualifications. It's about the accidents occurring in homes that - we see there's a necessity to regulate those areas, and I'd leave you with the question that we might have - let's say we have a family day-care worker there; we're going to regulate the pool in the backyard but we're not going to regulate the house. We're going to regulate the driveway, we're going to regulate the street but we're not going to regulate inside the fence, but, if we head down to McDonald's, we're going to regulate inside the McDonald's playroom, aren't we, and we're going to regulate down at the local park and we're going to regulate in the local factory and we're going to regulate in the local restaurant, where adults eat.

DR CRAIK: If I recall correctly, I think we found some differences of view between the local government and the standards for some of these centres. They were actually different, I think, but, anyway, we'll look at it a bit further and may come back to you on that one.

MR McLEAN: The sort of thing we're trying to say is that, insofar as regulation goes and provision of those services, local government employs quality building inspectors, a whole range of people that do this sort of work all the time, and there are standards coming out of that. We would see a role for local government - I won't use the term "policing them" but, certainly, inspecting them. We've got people trained to do it. Why not? If we're going to spot accidents in homes, such as that issue we raised there, with the child being killed as a result of falling through non-safety glass, I think there are some things that we need to not just say we'll leave it to some national regulatory codes - we'd rather councils be able to make some decisions for their communities, as opposed to waiting for a community in another state to make a decision, so that we can have a universal set of building codes.

DR CRAIK: One issue you raised about was the issue about planning of childcare centres and things. As I understand it, in Victoria, local governments do put out information on

where centres are needed and numbers and things like that, so, actually, help providers in terms of where they're going to set up places, where there are no vacancies and where there are lots of vacancies or where there's a demand for childcare that's not being met. I wonder if local government in New South Wales couldn't take that on as well.

MR McLEAN: I think it'd be very good for local government to do it. Local government provides, as I said, an insight and an opportunity for parents to go and find out what childcare service is available in their local area and also to access family day care. I think the issue you raised about planning is an issue of resources because, sooner or later, federal government funding ends up there one way or another. Yesterday I ended up driving my mother to my brother's house at Chifley and I was amazed to find that there was a childcare centre in one street, and this is in a residential area, and then someone's building another one right around the corner. I thought, "Maybe there's a need for it, I don't know," but it always raises to us the concern that you're going to build childcare centres in areas that already have existing provisions and people are using market-based policy to steal people from one to the other, as opposed to saying, "Okay. You want to open a business in childcare. Fine. Let's find out where the shortages really are." I would have thought, if you can do that, the business model or the council model that's been provided - people can see there's a need there for it.

No, any of those regulations that go down that pathway or any of that sort of surveying, I think, is important and I think there's a role that - the Productivity Commission can work with local government in a number of facets on that. The Victorian models - Victoria has done a lot of work in local government on social services that other states haven't.

DR CRAIK: Okay. We'll have a further look. Just one other question, Greg. One of the things that we've proposed is, in rural and regional areas, where children's attendances fluctuate up and down, that they could apply for additional funding for three years out of seven, to get them through those fluctuating attendances. Do you think that that makes sense, or not?

MR McLEAN: Yes, I think it does make sense because there can be an immediate need and then there's, sort of, a generational change and, in small areas like that, you don't necessarily have the same amount of people moving in and moving out. Therefore, you can have an ageing population rather than a youngish, growing population. I'd support those initiatives.

I also would take my hat off to some of the things I've seen over the years, in particular, the mobile bush libraries, mobile bush childcare services, which I find absolutely remarkable. The first time I saw them, these two or three young women in a very large LandCruiser, with a trailer sort of thing on the back - out the head to these far-flung communities. They take the stakes out, they nail them into the ground, put the temporary fencing in and the mums just come from nowhere. I thought, "This is really fun work. This must be imaginative for these young women heading out and doing it in the bush." So, bush mobile - both bush mobile childcare services - I think, have got a place as well and, as I said, it's just amazing to see that sort of stuff taking place.

DR CRAIK: It is. It's very impressive seeing those sorts of things and often they depend very much on the individual running them.

MR McLEAN: They certainly do, and I think that's a point that must be remembered, and I think everybody in the room would acknowledge the fact that the women, and predominantly

- that work in the childcare services do it because they actually get some real, sincere value out of it, some good fun out of it, enjoy it very much and it's an extremely important contribution to society that we are greatly underestimating. I think the fact that we have people working in those childcare centres - let's educate them, let's allow them to do more, and let's pay them more, let's keep them there longer. The turnover rates are just quite difficult.

DR CRAIK: Okay. Thank you very much, Greg.

MR McLEAN: Thank you.

DR CRAIK: That ends the formal proceedings for today. For the record, is there anyone else who wants to make a brief comment? Okay. Thank you very much, everybody. I adjourn these proceedings. The Commission will resume here tomorrow, at 8.30.

ADJOURNED

[4.21 pm]