



CCCSA PRODUCTIVITY COMMISSION INQUIRY RESPONSE

Introduction

Community Children's Centres SA (CCCSA) is an association for leaders of community based, not-for profit children's services in South Australia. While there are many proposals within the *Productivity Commission Draft Report on Childcare and Early Childhood Learning* that will assist in making early childhood education & care services more affordable CCCSA has identified several areas of concern that will have a detrimental effect on children & families.

Concern 1: The activity test & 'at risk' processes.

The activity test, as proposed, will significantly impact on vulnerable families particularly those who, for various reasons including mental illness, cannot work. We have serious concerns that children & families will be unable to access early childhood education & care services due to the activity test & 'at risk' processes. The exemption criteria are too limited. We often find that a diagnosis of disability in children does not occur until children are enrolled in an early childhood service & have been attending for some months. The actual process of diagnosis can be lengthy & is influenced by extensive waiting list times for children to be seen by specialists.

This also applies to identifying families & children 'at risk.' It takes time to build trust with vulnerable families, many of whom are extremely wary of Government Departments & systems. Making a notification to child protection authorities in every case will significantly affect the trust built between vulnerable families & children & is not always warranted. Many children's services are the initial entry point for vulnerable families but are not yet in a place where the child may be considered to be at risk of serious abuse or neglect. When high quality early childhood education & care services are able to identify & support families early the need for a notification is often minimised or averted. The current Australian Government's Priority of Access Guidelines provide Directors of Children's Services with an easy framework to prioritise children who are at risk, along with subcategories that are possible indicators of disadvantage & vulnerability. Through the COAG (Council of Australian Governments) all States & Territories have endorsed the *National Framework for Protecting Australia's Children 2009 to 2020*. One of the six critical outcomes of the National Framework is that "children & families access adequate to promote safety & intervene early".¹

¹ (*Protecting Children is Everyone's Business, 2nd 3-year action plan, 2012-2015 Commonwealth of Australia 2012, p.8*)

The public health model adopted by the National Framework considers that universal supports such as children's services are a soft, safe entry point for families that may be in vulnerable circumstances related to child safety & well-being.

Concern 2: National Quality Framework

We strongly recommend that there be no changes to the National Quality Framework particularly in regard to qualification requirements & the inclusion of preschools. The National Quality Framework was introduced to ensure that all children had access to quality children's services. If preschools were removed from the scope of the NQF there will be no quality assurance requirements for preschools which are a large part of the early childhood sector. There are currently other review processes in place in regard to the NQF & there are still many education & care services that have not been assessed. These review processes will provide informed recommendations regarding the NQF. However we still believe that no changes should be made until all early education & care services have undergone the assessment & rating process.

Concern 3: Risks for children & Government

Full consideration needs to be given to the levels of risk inherent when a reduction in quality, ratios & qualification requirements are recommended. All research suggests that educator qualifications & child: staff ratios impact on quality.

Children Under 3 years of age require Diploma & Degree qualified educators. Neuroscience identifies that the 1st three years of life are the most vulnerable for children's development & learning. *Shonkoff (2000); Phillips (2000); Blakemore (2005).*

Lowering the qualification requirements for educators increases risk due to the reduced theoretical & practical knowledge of educators. The recommendation to lower qualification requirements goes against the research which shows the link between qualifications, quality & positive outcomes for children. ^{2 3}

2 1:4 Cross Sectoral Task Force – Report on the Implementation of a 1:4 staff-child ratio for children aged under 2 years in NSW Children's Services 2006 ;

3 Research on Ratios, Group Size, Staff qualifications & training in Early Years & Child Care Settings. Thomas Coran Research Unit, Institute of Education, University of London, 2002.

Lowering the level of qualification requirements also decreases the professionalism of early childhood education & care. An important point which has not been addressed is the urgent need in the sector for appropriate remuneration to attract & retain qualified educators. No educator should be left alone in charge of a group of children as this creates significant workplace health & safety issues, as well as child protection risks & protection risks for the educator.

There is a risk to Government where funding of low quality & high risk services is linked.

Concern 4: Separation of Education & Care

Long day care services offering integrated programs, which include preschool, offer the very flexibility that families are requiring. As more families enter the workforce they will require services that are open longer hours & can cater to their working requirements. Preschools & schools currently do not offer longer hours & a continuing learning environment that long day care services do. Many services are not staffed as Under two year olds & Over two year olds & they may have integrated forms of education & care. Appropriate qualifications & experience with all age groups is vital.

Concern 5: The removal of tax concessions for not-for-profit children's services

The removal of tax concessions for the not for profit children's services sector will have a detrimental effect and will not create a level playing field. Access to these concessions does not give not for profit providers a competitive advantage over for profit providers.

There are few financial benefits that not for profit children's services receive. The ability to not pay payroll tax, provide FBT exempt salary packaging, and be exempt from income tax are the only significant taxation benefits available.

In contrast the for profit sector is able to, and does, run many operating costs through the children's services business operations as tax deductions including phones, cars, a variety of mobile devices and tablets, and home computers to 'do the child care business'; they can raise finance (capital and operational) through loans and overdrafts (again tax deductible) through their governance structures.

Not for profit services do not enjoy any of these benefits so it is unclear how removal of payroll tax exemption, FBT exempt salary packaging and income tax exemption would outweigh the tax deductions and ability to raise finance to grow that the for profit sector enjoys. The not for profit sector cannot raise capital to easily "alter the configuration and capacity of a facility"⁴ due to governance structures of an association with limited and dispersed personal liability. Financial institutions are not willing to lend money to these types of governance entities.

4 Productivity Commission (2014), *Childcare & Early Childhood Learning*, Draft Report, Canberra, p. 440.

It is an interesting notion to consider tax concessions as a form of government spending that should only be available if the tax concessions are "offset by the benefits such providers delivered to the community"⁴ (p. 461). There seems to be an assumption that social need only relates to family income. Not-for-profit children's services provide significant social benefit to any community they are located in, regardless of the socio-economic status of that community. Not-for-profit children's services are part of a community's inherent social capital contributing to local economic well-being of families in the community through majority provision of work-related child places, and creating and supporting networks of social relations through strong trusting relationships. For profit services may be able to engage with communities to facilitate social benefits. However this is not the primary objective of operating a business to maximise shareholder outcomes. In contrast, not-for-profit children's services will most often have community engagement as one of their principal objectives of being.