



# Response to the Productivity Commission's draft report on childcare and early childhood learning

*Version 1.0 as at 02/09/2014*

Document status:	Final

## Contents

Executive Summary .....	3
Introduction .....	3
About Churches of Christ Care.....	3
Quality .....	4
Qualifications of providers .....	4
Expanding the scope of the National Quality Framework .....	4
Moving preschool services into schools.....	5
Access .....	6
Delivering services to children with additional needs .....	6
Cost .....	7
Establishing a deemed cost of delivering ECEC services.....	7
Factors impacting the cost of ECEC services in regional and remote areas .....	7
References .....	10

## Executive Summary

Churches of Christ Care, a division of Churches of Christ in Queensland, is a leading not-for-profit providers of high quality, approved child care services in Queensland, operating 22 services for children aged 0-16 years. The organisation's early childhood services were developed with a focus on community needs, and include centre-based care, home-based care and community-based care, all with flexible support options.

The following response to the Productivity Commission's draft report on childcare and early childhood learning examines information requests and raises some concerns around the areas of quality, access and cost. We have provided information and examples for consideration as the Commission finalises their report. We have also made the following recommendations:

- Existing qualification requirements for educators working with children aged zero to three are kept in place.
- The monitoring and compliance assessment requirements of in-home educators – including nannies – are flexible to those working in regional and remote areas.
- Any changes to the National Quality Framework (NQF) are consistent with the recommendations arising from the 2014 review of the framework.
- All preschool services are kept in scope of the NQF and any schools delivering preschool services are monitored to ensure they are implementing play-based curriculums.
- Consideration is given to how the deemed cost of care for children with additional needs is determined and how this interacts with the proposed Special Early Care and Learning Subsidy.
- Any deemed cost for delivering early childhood education and care (ECEC) services incorporates a loading for service delivery by location. If this loading does not allow services to break even and the Temporary Sustainability Allowance is inappropriate, an assessment is made of the community's need for ECEC services. This assessment can then be used to grant ongoing operational support or the provision of start up capital for services in areas of need.

## Introduction

The following paper is responding to the Productivity Commission's (the Commission) draft report on childcare and early childhood learning. The information provided here is in addition to our previous submission (s203) responding to the Commission's Issues Paper.

### About Churches of Christ Care

Established in 1930, Churches of Christ Care (CofCC) is one of the largest, most diverse not-for-profit organisations in Queensland, operating more than 150 care services throughout Queensland and Melbourne, Victoria, with the support of approximately 3,000 staff and 900 volunteers.

A division of Churches of Christ in Queensland and working with Churches of Christ in Vic/Tas, CofCC is active in the areas of early childhood services, child protection, community housing, retirement living, community care, residential aged care and dementia care, providing Christ-inspired care and compassion to vulnerable persons at different stages of their life journey.

CofCC is built on a foundation of Christian values, commitment to quality care, trust, and respect for clients and the community. Services are offered to all those in need regardless of religious background.

CofCC is one of the leading not-for-profit providers of high quality, approved child care services in Queensland, operating 22 services for children aged 0-16 years. The organisation's early childhood services were developed with a focus on community needs, and include centre-based care, home-based care and community-based care, all with flexible support options.

Home-based care options include family day care and in-home care. Centre-based care options include approved kindergartens operating in co-located early childhood centres, within school grounds and at stand alone sites; long day care; occasional care; and outside of school hours and vacation care. Other community-based services offered to families include a family support service in Maryborough and a rural mobile children's service based at St George.

CofCC's early childhood services are both in-scope and out-of-scope of the National Quality Framework.

## Quality

The following section relates to information request number 7.1.

### Qualifications of providers

The introduction of minimum qualifications for providers in the ECEC industry has played an important role in ensuring the quality of ECEC services across the industry. While CofCC has experienced a number of challenges implementing the qualification requirements across our services, we are committed to this to ensure children receive the best possible care.

We are concerned by the Commission's recommendation to reduce the level of qualifications required for educators working with children aged zero to three. The first three years of life are the most important time for a child's brain development. Research shows that during this time sensory pathways (hearing and vision), social and emotional skills and the basic pathways for reading and mathematics are at a critical point<sup>i</sup>. These areas of the brain lay down the pathways for how well a child will do at school and into adulthood.

The experiences of children aged zero to three matters, and exposure to stress and trauma or unnoticed delays can have short and long term consequences. In the short term, inadequate attention to children may result in failure to reach academic, socio-emotional and health potential leading to issues later in life<sup>ii</sup>. Addressing these issues in older children and adults requires significant human and financial resources. The role of early educators in the lives of children aged zero to three is an important part of creating healthy adults and having the right skill level to care for children during this time is vital.

**CofCC recommends** that existing qualification requirements for educators working with children aged zero to three remain in place.

### Expanding the scope of the National Quality Framework

CofCC supports the Commission's recommendations to include all centre and home-based services that receive government subsidies under the NQF. While all of our services are not required to meet the NQF, we have chosen to have our in-home care and mobile providers implement the framework. Through doing this work we have experienced a number of challenges, particularly in rural and remote areas, around ensuring our educators meet the minimum requirements of the National Quality Framework. These include:

- limited access to Registered Training Organisations (RTOs) in rural and remote areas

- RTO's being more focused on centre-based modes of care reducing their relevance to those providing home-based services
- inconsistent support and guidance being provided across different RTOs
- funding to complete Certificate III level qualifications is no longer available. These training costs act as a barrier of entry to educators starting in the field of child care, particularly in home-based settings
- inability to recognise the qualifications and experience of those providing services while on working holiday visas under the NQF
- qualifications may not provide skills to work with families and children with special needs.

In regional and remote areas, home-based care is often provided to families that are geographically isolated. In Queensland, educators can be operating in homes within a 1,000 to 2,000 kilometre radius from support and coordination services<sup>iii</sup>. This distance inhibits educator's access to support, education and ongoing development. This distance also creates a problem when it comes to the monitoring and assessment elements of the NQF. Under the proposed scheme, families in remote locations currently accessing in-home care could transition to an arrangement with a nanny approved under the NQF. In these remote locations, accessing courses to be qualified and to meet appropriate monitoring and compliance assessments would be expensive and difficult. If educators are unable to meet these NQF requirements due to their geographical location, families will not be able to obtain a subsidy for care. This would reduce access to quality ECEC services for families in regional and remote communities.

**CofCC recommends** that the monitoring and compliance assessment requirements of in-home educators – including nannies – are flexible to those working in regional and remote areas. We also recommend that any changes to the NQF are consistent with the recommendations arising from the 2014 review of the framework.

## Moving preschool services into schools

CofCC is concerned by a number of the Commission's recommendations, which indicate an intention to move preschool into schools wherever possible. Formal school systems are structured around a set of frameworks, practices and performance requirements that are at odds with early education frameworks based on play. A strong evidence base exists for the use of play-based curriculums in early childhood education, which is why it has been incorporated into the Australian Early Years Framework<sup>iv</sup>. Unfortunately the structure of formal school systems is not conducive to implementing play-based curriculums. This has been highlighted following Queensland's relatively recent integration of children aged five years into schools. A more formalised curriculum now exists for five year olds that is centred around activities and outcomes that leave little time for play-based learning. In light of this, delivering preschool services in schools and removing them from the scope of the NQF carries a significant risk that children will be subject to formal curriculums that are not tailored to their development.

Shifting more preschool services into schools, removing dedicated preschools from the scope of the NQF and keeping Long Day Care (LDC) services in scope also raises concern. This move will lead to inconsistent curriculums across preschool cohorts. This inconsistency could have the following impacts:

- confusion among families as they make decisions about their child's education
- perceptions over quality of education provided that can lead to inequity
- difficulty recruiting early childhood teachers who consider teaching in schools more valuable than in LDC and stand alone services.

**CofCC recommends** that the Commission keeps all preschool services in scope of the NQF and that any schools delivering preschool services are monitored to ensure they are implementing play-based curriculums.

The following section relates to information request numbers 8.1 and 12.9.

### **Delivering services to children with additional needs**

CofCC aims to provide inclusive ECEC services that are able to cater for children with additional needs within mainstream settings. While specialist units for this group of children do exist in schools, the experience of our educators and professionals is that children should access mainstream services wherever possible. By participating in these services children with additional needs are challenged to improve their skills in many areas, in particular their social and language skills.

Our experience has been that providing support for children with additional needs in mainstream LDC services usually requires an additional staff member, as well as additional training for educators. This training adds additional benefit as early years educators are often the first to notice when children are showing signs of developmental delays. These requirements carry an additional cost to provide ECEC for children with special needs. For many organisations, these additional costs are not supported by their business models and children consequently have difficulty finding suitable and affordable care.

When we have provided support for children with additional needs, we have subsidised these additional costs from within our organisation. This decision reflects our mission and values as a not-for-profit Christian organisation, however this is not sustainable over the long-term. CofCC supports the Commission's recommendation to 'top-up' the deemed cost of delivering services to groups of children identified as having additional needs.

Identifying and targeting developmentally vulnerable children to receive ECEC services would be best achieved through a combination of demographic analysis and local knowledge obtained by working with state-based family support services.

**CofCC recommends** that consideration be given to how the deemed cost of care for children with additional needs is determined and how this interacts with the proposed Special Early Care and Learning Subsidy.

The following section relates to information request number 12.4 and 12.6.

### **Establishing a deemed cost of delivering ECEC services**

CofCC supports the Commission's recommendation to establish a deemed cost of delivering a reasonable standard of ECEC that includes a profit margin. This is a significant and important task requiring a thorough benchmarking activity across a range of service locations and population groups. CofCC considers it vital that any sampling of organisations to determine this cost includes ECEC services operating in regional and remote areas and incorporates a comparison of costs in communities impacted by nearby mining operations.

### **Factors impacting the cost of ECEC services in regional and remote areas**

The Commission has already identified that there are regional and remote areas where there is limited or no market viability yet a high community need for ECEC services. This high level of need is connected to higher levels of developmentally vulnerable children and incidence of poverty in regional and remote areas. CofCC supports the Commission's recommendation that services in remote areas should continue to receive block funding through the Disadvantaged Communities Program. However, there are likely to be localities not considered remote enough to receive block funding where a high level of need for ECEC services remains. In these areas there is limited opportunity for organisations to generate profit due to a combination of:

- lower utilisation rates and an inability to reduce staffing levels due to quality requirements
- higher operating costs
- smaller populations of families and young children
- lower levels of family income
- high unemployment.

As the Commission has already found, profit margins in the early childcare industry are low, and are often acquired through volume of service delivery. In regional and remote communities large services are not sustainable and smaller 20 to 40 place LDC services, in-home care or mobile services are required. As the opportunity for profit in these areas is so limited, the delivery of ECEC services is often picked up by not-for-profit providers, some local governments or other local community groups. These services are smaller in scale and are more likely to run at break even or at a loss.

The Commission has indicated that services receiving block funding should transition to child-based funding wherever possible. CofCC believes that establishing a deemed cost structure that limits losses in regional and remote areas will support sustainability and increase equity of access to quality ECEC services.

#### Salary costs and utilisation rates

When delivering ECEC services, staff salaries are both fixed and variable. As a minimum number of qualified staff are required at all times under the NQF, the proportion of salary costs to income can become high. This is often experienced in regional and remote areas where utilisation rates, the proportion of available places filled per day, can be low or quite variable. Our internal data also shows that for our regional and remote ECEC services the average proportion of salary costs to income can be as high as 85 per cent per year. Yet salary expenses account for an average of 74 percent of the full cost of delivering our LDC services per year. This illustrates the viability difficulties experienced by regional and remote services as they often experience a higher level of non-salary expenses.

### Non-salary service costs

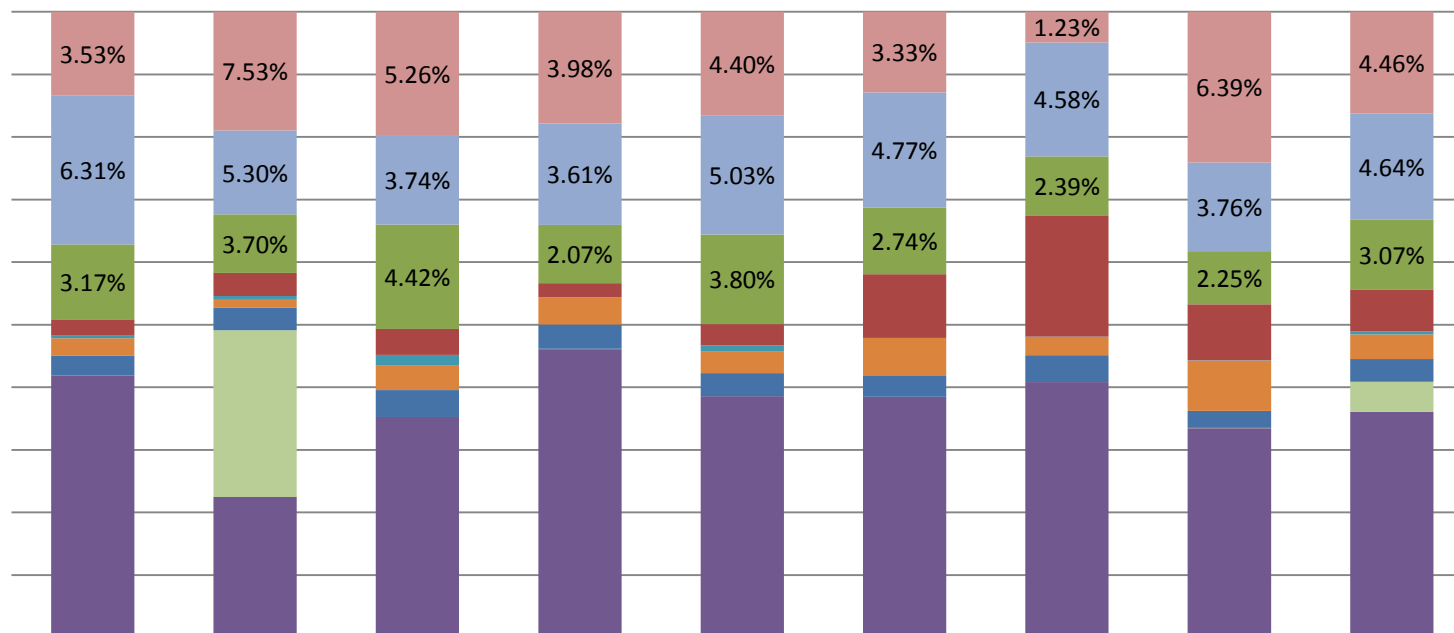
CofCC's experience operating ECEC and other community services across Queensland is that there is a dispersion of service costs between major cities and remote areas. This dispersion impacts on the quality of services that can be provided. Our previous submission (s203) described the difficulties we have had attracting and retaining staff in regional areas, which are shared by other providers in ECEC and more broadly across the community services industry. Difficulties recruiting and retaining qualified staff alongside higher operating costs in regional areas<sup>vvi</sup> has an impact on the cost and price of services. Figure 1 provides a comparison of the cost elements across our services operating across a number of locations in Queensland.

**CofCC recommends** that a deemed cost for delivering ECEC services incorporates a loading for service delivery by location. If this loading does not allow services to break even and the Temporary Sustainability Allowance is inappropriate, an assessment should be made of community need for ECEC services. This assessment should include the demographics and the incidence of developmentally vulnerable children and vulnerable families in the area. This assessment can then be used to grant ongoing operational support or the provision of start up capital for services in areas of need.



# Response to the Productivity Commission's draft report on childcare and early childhood learning

**Figure 1: Non-salary expenses as a proportion of all expenses for Long Day Care Services by region**



	Very Remote Service A	Very Remote Service B	Remote	Inner Regional Service A	Inner Regional Service B	Inner Regional Service C	Inner Regional Service D	Major City Service	Average
Rent/building depreciation (see notes)	3.53%	7.53%	5.26%	3.98%	4.40%	3.33%	1.23%	6.39%	4.46%
Maintenance and utilities	6.31%	5.30%	3.74%	3.61%	5.03%	4.77%	4.58%	3.76%	4.64%
Administration including IT and communication	3.17%	3.70%	4.42%	2.07%	3.80%	2.74%	2.39%	2.25%	3.07%
Client services, activities and programs	0.69%	1.46%	1.09%	0.50%	0.89%	2.64%	4.87%	2.38%	1.81%
Motor vehicles and transport	0.11%	0.24%	0.43%	0.00%	0.27%	0.00%	0.01%	0.00%	0.13%
Kitchen/laundry/cleaning	0.75%	0.52%	1.06%	0.97%	0.90%	1.57%	0.72%	2.14%	1.08%
Recruitment and training	0.82%	1.40%	1.14%	0.87%	0.98%	0.85%	1.09%	0.71%	0.98%
Other	0.00%	10.56%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	1.32%
Management and overhead fees	11.10%	8.91%	9.33%	10.28%	10.21%	9.95%	10.28%	8.88%	9.87%

## Figure 1: Notes

- Location categories used are consistent with the Australian geographical standard for remoteness<sup>vii</sup>.
- To give a picture of full-cost, figures have been adjusted to include the value of in-kind contributions to support delivery of ECEC services. These include free use of building facilities and accommodation provided to staff in our very remote services. These in-kind contributions are necessary for these services to be viable.
- Where CofCC owns the building the service is operated from, depreciation costs are allocated as an expense to services. The large figure for rent/depreciation in our major city service is due to recent construction and expansion of the service.
- Costs of client services, activities and programs are greater in our inner regional and major city services as these centres have a greater number of children attending

## References

- <sup>i</sup> Samms-Vaughan, M., (2011). Scientific evidence for the importance of supporting development of children 0-3 years, In *Regional Forum on Supporting the Development of Children Zero to Three, Particularly The Most Vulnerable*. Kingstown, St Vincent and the Grenadines. Retrieved from: <http://www.open.uwi.edu/sites/default/files/Prof%20Maureen%20Samms-Vaughan%20presentation%20June2011.pdf>
- <sup>ii</sup> Samms-Vaughan, M. (2011).
- <sup>iii</sup> Statistics taken from a network of regional and remote in-home care services in Queensland.
- <sup>iv</sup> Australian Government (2009). *Belonging, Being & Becoming: Early Years Framework*. Retrieved from: <http://docs.education.gov.au/node/2632>
- <sup>v</sup> Fisher, K.R., Maynard, D., Rajkovic M. & Abelson, P. (2009). *Cost of providing specialist disability services and communities services in Queensland*. New South Wales: Social Policy Research Centre.
- <sup>vi</sup> Queensland Council of Social Service. (2013). *The recommissioning of youth services in Queensland*. p. 14. Retrieved from: <https://www.qcoss.org.au/sites/default/files/QCOSS%20LGAQ%20Recommissioning%20Report%20Dec%202013%20FINAL.pdf>
- <sup>vii</sup> Australian Bureau of Statistics. (2011). *Australian Statistical Geography Standard (ASGS): Volume 5 – Remoteness Structure*. Retrieved from: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/1270.0.55.005Main+Features1July%202011?OpenDocument>