

# ACCS NSW

## Productivity Commission's Draft Report

The response by Australian Community Children's Services (ACCS) NSW is provided and should be read in conjunction with the commentary made within the ACCS National response. This response focuses on the relevant recommendations and commentary from the Productivity Commission (PC) Report that relates to early childhood service provision in NSW.

### NSW education and care<sup>1</sup>

In NSW around:

- 213,660 children attend long day care services
- 48,370 children use family day care or in-home care services
- 2,780 use occasional care
- 53,000 attend preschools
- 104,420 use outside school hour care services.

There are around:

- 2,600 long day care services
- 167 family day care services and in Home care services
- 2500 outside school hours care services
- 800 community based preschools and 100 NSW Department of Education preschools
- 60 mobile (out of scope of NQF) services (long day care, preschool, occasional care)
- 36 occasional care services

Excluding preschools, 256,000 families use these services.

### Introduction:

Further to ACCS' presentation to the Public Hearing of the Productivity Commission on August 14 (ACCS NSW) and 15 (ACCS National), ACCS NSW welcomes the following recommendations:

- Single subsidy to replace CCB and CCR
- Diverting funding from the proposed new paid Parental Leave scheme to ECEC
- Increased investment for low income families
- Funding of integrated services to build capacity
- Ongoing Commonwealth funding of UA to all children in their year before school
- Maintaining the NQF
- Extending the scope of the NQF
- Implementing Nationally recognised WWCC
- Viability funding to assist rural, remote and regional services

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<sup>1</sup> [www.docs.education.gov.au/system/files/doc/other/child\\_care\\_early\\_learning\\_in\\_summary\\_sept\\_qtr\\_2013.pdf](http://www.docs.education.gov.au/system/files/doc/other/child_care_early_learning_in_summary_sept_qtr_2013.pdf) and [www.det.nsw.edu.au/media/downloads/about-us/statistics-and-research/public-reviews-and-enquiries/review-of-nsw-government-funding-for-early-childhood-education/review\\_nsw\\_gov\\_funding\\_ece.pdf](http://www.det.nsw.edu.au/media/downloads/about-us/statistics-and-research/public-reviews-and-enquiries/review-of-nsw-government-funding-for-early-childhood-education/review_nsw_gov_funding_ece.pdf)

Whilst we acknowledge and thank the Productivity Commission for the work into this review, we believe the recommendations made in the draft report are flawed for the following reasons:

1. The focus of public policy for early childhood education and care requires a child-centred approach. This draft report focuses on the participation of women in the workforce and the needs of employers over identifying and best meeting the needs of our children. Children's rights, needs and interests need to be brought to the forefront of policy decisions, rather than taking a back-seat to the needs of parents, the workplace and the economy.
2. Whilst recent policy and research has been reinforcing the nexus between care and education, this report does not examine policy from the perspective of how early childhood education and care (ECEC) can facilitate every child, regardless of age, reaching their full potential.  
Looking after very young children in a group care setting does require specialist knowledge and skills, and ignoring the need for qualified educators working with children under 3 years of age is inconsistent with the intention and requirements of the National Quality Framework (NQF).
3. Despite a host of research on brain development, the critical importance of the first three (3) years of a child's life setting a platform for their future success, and both staff qualifications and staff:child ratios being critical determinants in the quality of an ECEC service, this draft report appears to have disregarded the findings of such research

Our strongest opposition is with regard to recommendations relating to:

- The separation of education and care and the elimination of qualified educators working with children under three (3) years of age:
- The role of Not For Profit (NFP) ECEC services in NSW
- Removal of tax concessions for NFP ECEC providers
- Removal of CSP funding and not for-profit tax concessions and exemptions from community based FDC services
- Impact on FDC and LDC of removal of not for-profit tax concessions and proposed work test
- Work Activity Test and the impact on vulnerable families
- Deemed cost of care and NSW history of higher qualification and ratio requirements
- Removal of Preschools from the NQF

## **Commentary on individual components of Productivity Commission Recommendations:**

### **The separation of education and care and the elimination of qualified educators working with children under three (3) years of age:**

Evidence to support highly qualified early childhood educators working with infants and toddler:

- It is impossible to separate care and education without ending up with an environment where only the basic needs are provided for – eating, sleeping, toileting. Education of infants is not about them learning to read and write but about enhancing

their development across all domains particularly language, social skills, physical growth and cognitive processes.

- Research, including that undertaken by Professor Fraser Mustard, has shown the importance of the first three years of life in terms of hardwiring the brain and the implications this has for positive life outcomes. With approximately 25 per cent of our population under the age of two in formal early childhood centres, it is a significant context that needs to be considered carefully.

In addition, research has also demonstrated the value of high quality education and care for children under the age of 3 years:

- Li, Farkas, Duncan, Burchinal and Vandell (2013) showed that high quality infant care was associated with developmental gains that endured regardless of the quality of the subsequent preschool program.
- Mathers, S., Eisenstadt, N., Sylva, K., Soukakou, E. & Ereky-Stevens, K. (2014) found that there was good evidence that qualifications matter for under threes, although the evidence-base is less rich than that for over threes.
- Further, Goelman et al (2006) investigated contributors to quality in over 100 infant-toddler programs and determined that the early childhood qualification level of educators was one of the most significant predictors of quality (ITERS), the other significant predictor being that of educator-infant ratios.
- Supporting this, Degotardi (2010) found that early childhood qualification levels positively related to sensitive and stimulating interactions, as well as the complexity of educators' interpretations of infants.

The complex world of young babies needs sophisticated knowledge and skills, confidence to apply this and respect for the fast-developing brain. Infants develop at an outstanding rate, particularly compared with the development in older children, so the educators working with infants require the ability to make complex decisions not only about their wellbeing but also to enhance and facilitate their continued development. The Certificate III course is designed to train people to support others who take a leading role in the development and delivery of an ECEC program for children - by diluting the required skill set for people working with our very young children, we devalue the importance of education at this earliest and most critical stage of life.

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. 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 under two-year-olds, then it is those qualifications that have the positive outcomes for children.

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

## **The role of NFP ECEC services in NSW**

Facts:

- Almost 50% of CCB-approved services are operated by NFPs
- NFP service deliver higher quality ECEC (evident in NQS results)
- NFP services provide more ECEC for children with additional needs
- Quality costs

- There is a higher proportion of NFP ECEC services in NSW than in other States and territories.
- NFP ECEC services in NSW provide the most education and care to children under 2 years.

In NSW, NFP services have been identified in the Draft Productivity Commission report (2014) as operating at a higher standard of quality. As a result of increased quality, families are more likely to select NFP services within their communities. This is particularly evident for vulnerable children and children with identified additional needs. With limited funding to support the inclusion of children with additional needs, NFP services demonstrate a willingness to allocate additional funding to support the inclusion of children with additional staff and/or equipment. This funding is in addition to funding received through via the ISP.

NFP services have funding agreements with state governments. These funding agreements ensure NFP services are responsive to changing priorities or changes to government agendas. This responsiveness is supported through Peak bodies, professional development, resources and through the well-established NFP networks.

In NSW, families in rural, remote and isolated communities are predominantly serviced by NFP services. These services work with vulnerable children who, if they did not have access to these services, would have no access to an early childhood education. These isolated communities often have limited access to health or education services, increasing the value of the NFP ECEC service that support families to link to required support within the broader region.

## **Removal of tax concessions for NFP ECEC providers**

ACCS is very firmly of the view that the removal of tax concessions to not-for-profit children's services will have a detrimental effect and in reality will not actually create the level playing field intended by the draft report.

The concessions targeted in the draft report, namely payroll tax exemption, exemption from income tax and the ability to provide FBT salary packaging, do not give NFP service providers any competitive advantage, and in fact, these are some of the very few financial benefits that are available to NFP.

For-profit services, however, are able to then deduct all of their operating costs and some of the capital around their service provision and, most importantly, they can actually raise finance, both capital and operational money. This precludes NFP children's services under current Governance arrangements, making it very difficult for NFP children's services to actually enable capital growth, as the governance structure actively works around that capacity to raise money.

Payroll tax exemption considerations:

- More than 50% of the market is currently not-for-profit, and among the not-for-profit services, larger preschools, subject to Payroll Tax, are a minority group.
- The majority of these not-for-profit services, being smaller in capacity, are currently exempt from Payroll Tax.
- Approximately 30 per cent are for-profit operators that operate very small services that also fall under the payroll tax threshold.
- Only about 10 per cent of for-profit providers are eligible to pay payroll tax (as the remainder are small services as above).

If you change that requirement:

- any service is now going to have to pay payroll tax regardless of size.
- that means 90 per cent of the market will now have to pay payroll tax.
- This will be a serious disadvantage to ongoing viability of service provision

## **Removal of CSP funding and not for-profit tax concessions and exemptions from community based FDC services**

The provision of professional and consistent support in developing educational programs and safe environments to registered family day care educators by Coordination Units through the Child Development Officers is integral to delivering good quality Family Day Care. The current National Quality Framework does not specify requirements in relation to the support or ratio between Child Development Officers to family day care educators. In for-profit-based services, the chances are that the ratio of support to educators may be kept to the minimum to avoid the higher costs. In the NFP sector many FDC services rely heavily on Community Support Program (CSP) funding to ensure that there are adequate levels of qualified and experienced personnel to monitor the health, safety and quality of the educational programs provided by registered educators. The changes to CSP funding, combined with the Productivity Commission's draft report recommendations for the removal of NFP tax concessions and exemptions from community based FDC services will significantly compromise the ability of these services to provide high quality early childhood education and care.

*'The Commission found that...not-for-profit and government providers achieved a higher average quality than for-profit providers'* (Productivity Commission Draft Report p.839)

## **Impact on FDC and LDC of removal of not for-profit tax concessions and proposed work test**

*'Not-for-profit providers tend to... care for more children under 2 years, which require more intensive use of labour'* (Productivity Commission Draft Report, p.828)

The NFP Family Day Care and Long Day Care sector plays a significant role in the provision of care for younger children, especially children under two, and in the provision of mainstream services for vulnerable and disadvantaged children, including those with a disability or learning delay. NFP services are able to continue to offer and expand upon these more expensive programs in response to community needs due to their ability to invest revenue into these areas rather than into profit-making. The services also tend to invest on their staff's professional development to work in such complex environments. There is a pressing need to further assess the benefits of the not-for-profit sector in relation to the provision of specialised, targeted and integrated early childhood services.

*Not-for-profit providers have told the Commission [that] they may bridge any funding gaps relating to the care of children with disabilities and developmental vulnerabilities, such as where the Inclusion Support Subsidy is not sufficient to cover the hours of attendance and staff costs to support quality care* (Productivity Commission Draft Report, p.463)

## **Work Activity Test and the impact on vulnerable families**

ACCS is really concerned that a large group of families are going to be eliminated and in fact disadvantaged. The ECLS is proposed to only be available to families who meet the work activity test. The following are just some examples of families who may not meet this activity test as it is proposed:

- those with children that have a diagnosed additional need
- those known to the child protection system
- those that may be experiencing, for example, sudden illness and have to withdraw from the workforce.
- Those affected by local circumstances such as floods or bushfires, ongoing mental health issues
- families with intergenerational unemployment and migrant families are just some small examples of people that may be excluded.

Hence, the implementation of the proposed ECLS will seriously disadvantage many vulnerable families in our community.

### **Deemed cost of care and NSW history of higher qualification and ratio requirements**

NSW is different to the other States and Territories purely because of our history of higher quality education and care. We have long seen education and care as inseparable – if you provide care to an infant or a 4 year old, regardless of their age 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 LDC or a preschool. We moved to 1:4 ratio for infants earlier than other States and have a better ratio than many other States for pre-schoolers. Unlike other States, NSW requires Certified Supervisors to have completed an approved course in Child Protection.

Many of these higher standards are currently ‘grandfathered’ under the Education and Care Services National Regulations because they are standards that the NSW sector feels strongly and passionately about.

The risk of introducing a deemed cost of care based on the minimum standards is that higher standards such as those implemented in NSW will either be completely removed or will result in a higher ‘gap’ fee payable by the family. Sadly, the latter will only create a divided child care sector where the rich can afford high quality care and education whilst the poorer and often most vulnerable families can only afford low quality care and education.

Therefore, any deemed cost of care needs to create a fair and equitable environment that supports high quality education and care, taking into account the variables such as:

- Range of variations across jurisdictions particularly in relation to quality
  - educator:child ratios
  - number of ECT qualified educators required
- cost of living and market rents (including location eg rural/metropolitan etc)
- differential cost of provision of education and care services to different age groups

Ultimately, the deemed cost of care should not disadvantage NSW children and families and the linking of the deemed cost of care to quality service provision is a logical step. It could be linked to the NQS rating achieved in each Quality Area – so the greater number of Quality Areas obtaining a higher rating, the higher the deemed cost of care for that service. Or it could be linked to the educator:child ratios or number of ECT teachers employed – again, the better the ratios or staff qualifications, the higher the deemed cost of care for that service.

## Removal of Preschools from the NQF

The National Quality Framework has been one of the most significant policy decisions for children. ACCS would, therefore, like to see it fully retained and the National Quality Standard retained within it. The inclusion of all funded service types in a single national framework is essential to ensuring universality, consistency and equity for all Australian families. The majority of NSW preschools are NFP community-based services, they are not part of the state education system. The last 30 years has seen enormous progress towards demonstrating and acknowledging the interrelationship between care and education, resulting in NSW ECEC services providing the best start for all children regardless of service type – removing preschools from the NQF would undo all this work. If the preschools are removed from the NQF there are no quality standards applicable to them with the resulting in the following implications:

- No way for families to compare ECEC and make informed decisions about the best service for their child.
- Creating a division between preschool and LDC/FDC services and the level of education received in the different service types that has only recently been resolved with all services falling under the NQF.

In addition, it is difficult to understand why the Commission would recommend bringing other service types with a much smaller reach within the ECEC sector into scope of the NQF (eg Occasional Care and potentially nannies), but simultaneously recommend removal of one of the most significant service types in Preschools.

It makes more sense to ensure all service types within the ECEC sector remain under the same quality and regulatory umbrella.

## References

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