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EXECUTIVE SUMMARY

The Catholic Education Commission (CECNSW) as the body representing the NSW Catholic Education authorities that provide schooling to 251,118 NSW children and young people in NSW is actively interested in ECEC service provision options.

For the purpose of this report dedicated preschools are included in the ECEC policy and funding envelope.

In the context of the Productivity Commission's ECEC Draft Report CECNSW advises that:

A) In Respect of Pre-school Services:

- (i) The replacement of the current complex funding mechanisms for ECEC is supported within the Long Day Care sector.
- (ii) A single child-based subsidy should be developed and applied to all preschool services.
- (iii) The available benefit should be paid direct to service providers.
- (iv) A "deemed cost of care" benefit model requires further detailed analysis before its efficacy can be assessed.
- (v) A public commitment to universal access to preschool is supported.
- (vi) Serious concerns exist about the proposal for a divided system of preschools based on whether they are "designated pre-schools" or long day care based services.
- (vii) The alignment of pre-schools with schooling is supported without prejudice to current funding arrangements.
- (viii) The co-location of pre-schools with primary schools is supported.

B) In Respect of Outside School Hours Care:

- (i) The recommended increased flexibility for OSHC providers in terms of staff ratios and qualifications is supported.
- (ii) The industry wide OSHC staffing shortage is acknowledged.
- (iii) The recommendation that school Principals be "directed to take responsibility for organising the provision of OSHC services to their students" is not supported. +
- (iv) A single child based subsidy should be developed and paid directly to OSHC service providers.

C) In Respect of General Regulatory Matters:

- (i) Actions to simplify the NQS quality assurance processes are supported.
- (ii) Minimum qualifications for all educators working with all children 0 to 6 are seen as essential.
- (iii) Local Government requirements which delay the establishment of ECEC centres should be reformed.
- (iv) Existing tax exemptions and rebates for not – for – profit ECEC providers must be maintained.

- (v) The provision of Government Capital funding to grow ECEC and dedicated preschool services is essential.
- (vi) Available capital funding could be targeted to low SES communities and 0-6 population growth areas.

1. BACKGROUND AND CONTEXT

- 1.1 The Catholic Education Commission of New South Wales was established by the Catholic Bishops of NSW to act on behalf of Dioceses, Religious Institutes, Parents and Parishes for the benefit of Catholic education. The Commission seeks to promote and protect quality education for all children in schools in New South Wales. There are 583 Catholic schools in NSW. These schools enrol 251,118 students and employ 19, 239 teachers as well as 7,744 support staff.
- 1.2 Under its Charter, the Commission is not responsible for the management of Diocesan system schools or Congregational schools. The Commission is, however, responsible for providing leadership and coordination, policy guidance and professional services. Its Charter extends to oversight of policy advice in Early Childhood Education and Care services in Catholic dioceses and schools.
- 1.3 Since 2006, the Commission has considered the involvement of Catholic education authorities in early childhood education in NSW, covering preschools, out of school hours care and long day care. An Early Childhood Working Party was formed in 2012 to advise the Commission on key developments stemming from the Review of NSW Government funding for Early Childhood Education (the Brennan Report) and subsequently the work of the Productivity Commission Inquiry into Child Care and Early Childhood Learning. The Working Party includes representatives of Dioceses providing Early Childhood Education and Care directly as registered providers and through contracted arrangements with private providers, in metropolitan and country areas.
- 1.4 The Commission considered the Working Party's report on key submissions to the Productivity Commission inquiry and formulated a set of ten propositions for further engagement with the inquiry. Working Party members from Catholic Education Office Parramatta and Catholic Care Diocese of Broken Bay attended the public hearings of the Commission and reported back to the Commission.
- 1.5 The Commission is therefore well placed to respond to the recommendations of the Draft Report of the Productivity Commission, published on 22 July 2014.

2. CECNSW RESPONSE TO THE PRODUCTIVITY COMMISSION FINDINGS

This section outlines the CECNSW response to the Productivity Commission in relation to its recommendations and findings on Early Childhood Education and Care.

A. Families using mainstream services – improving the accessibility, flexibility and affordability

- A.1 CECNSW supports the replacement of the current complex arrangement of rebate plus subsidy with a single subsidy from one funding source, as set out in Draft Recommendation 12.2. The Australian Government to combine CCB, CC Rebate, JETCCFA in a single child-based subsidy to be known as the Early Care and Learning Subsidy (ECLS).
- A.2 CECNSW also supports some aspects of Recommendation 12.4: The Australian Government should fund the Early Care and Learning subsidy to assist families with the cost of approved centre-based care and home based care. CECNSW strongly supports the decision to pay the benefit direct to services, as per the sub-point 'Pay the assessed subsidy directly to the service provider of the parent's choice on receipt of the record of care provided'. The concept of means testing and activity testing are endorsed as described.
- A.3 CECNSW has concerns, however, that the 'deemed cost of care' is not yet determined and CECNSW would need to first review detailed financial modelling prior to any endorsement of the concept, refer section I. advice below.
- A.4 CECNSW is very concerned by a proposal that the funding mechanism, regulation and even the curriculum for preschool services are to be treated differently if delivered in designated preschool services or in long day care services. Any move away from a consistent National Quality Framework governing early childhood services and childcare would be a negative step; this issue is dealt with more fully under Preschool – supporting universal access, refer section C below.
- A.5 The CECNSW gives in principle support for measures to increase flexibility, including:
 - a. Recommendation 8.3: the Australian Government should abolish operational requirements that specify minimum or maximum operating weeks or hours for services approved to receive child-based subsidies.
 - b. Recommendation 8.4: remove the cap on occasional care places.
- A.6 Information request 8.3 considers making the places of children on extended absence available to other children on a short-term basis. CECNSW observes that this would need careful management.
- A.7 CECNSW is concerned that accessibility, flexibility and affordability be maintained for all children in rural, regional and remote locations. Recommendation 12.5 states 'The Australian Government should establish a capped "viability assistance" program to assist ECEC providers in rural, regional or remote areas' under certain conditions. While this is supported, there is concern that it may be available only to existing programs that are struggling. The related Information Request 12.6 asks 'What is the case for the Australian

Government funding start-up capital or on-going operational support for mainstream ECEC services in rural, regional or remote communities?’ The CEC would welcome the opportunity to provide a case for this support. ‘Rural and remote’ centres need support in their own right, independently of the incidence of other measures of disadvantage.

- A. 8 Other measures designed to increase flexibility will be of particular assistance in the country; e.g. Recommendation 8.3 re minimum or maximum operating weeks or hours, as outlined above.

B. Additional needs children and services - improving the accessibility, flexibility and affordability

- B.1 CECNSW supports Recommendation 12.8: The Australian Government should continue to provide support for children who have a diagnosed disability to access ECEC services through access to mainstream ECEC funds, PLUS an up to 100% subsidy for the deemed cost of additional services funded from the special Early Care and Learning Subsidy, and block funding to build capacity.
- B.2 CECNSW endorses the Draft Report’s very important point that ‘the relevant government agency should work with the National Disability Insurance Agency and specialist providers for those children whose disability falls outside the NDIS to establish a deemed cost model’.
- B.3 CECNSW notes the NDIS definition: That is that, the National Disability Insurance Scheme (NDIS) will help people who have a significant and permanent disability and who need assistance with every day activities. This includes people whose disability is attributed to intellectual, cognitive, neurological, sensory, or physical impairment, or a psychiatric condition.
- B.4 CECNSW warns most strongly that under this definition, young children requiring early intervention in speech/ language / fine gross motor skills and foundation skills for learning may not qualify for NDIS but they will require early intervention support.
- B.5 CECNSW gives broad support to Recommendation 12.6, which proposes three capped programs to support access of children with additional needs to ECEC services. The three programs are the Special Early Care and Learning Subsidy per eligible child, the Disadvantaged Communities program, to block fund providers to deliver services to highly vulnerable communities, particularly indigenous children, and an Inclusion Support Program which would provide once-off grants to ECEC providers to build capacity to provide services.

C. Preschool – supporting universal access

- C.1 CECNSW supports the Draft Report’s commitment to universal access to preschool but has some reservations with Recommendation 12.9, ‘The Australian Government should continue to provide per child payments to the states and territories for universal access to a preschool program of 15 hour-per-week for 40 weeks per year. This support should be based on the number of children enrolled in state and territory government funded preschool services, including where these are delivered in a long day-care service’.

- C.2 CECNSW asks the government to extend the COAG targets for childcare to the non-funded 3-year-old group, with all 3 – 5 year old groups eligible for funding subsidy. Professor Brennan and Ms Adamson's submission to the Productivity Commission, *Financing the Future: An Equitable and sustainable approach to early childhood education and care*, proposed a ten-year plan for the introduction of a universal low-fee childcare system, starting with children in the year before school and progressively extending down the age range. They point out that children in 29 comparable countries have a legal right to preschool education but Australian children have no entitlement at this age.
- C.3 CECNSW calls for a review of the 15 hour per week setting. The 15 hour per week funding guarantee can be difficult to timetable. It is generally managed by services offering 2-day/ 3-day attendances on alternate weeks, a pattern which does not support parents' work commitments with the consequence that available places can be hard to fill. The 30-hour guarantee recommended in Professor Brennan's submission to the Productivity Commission more closely aligns with school attendance patterns and, if funded, would meet educational and workforce goals. It is noted that an Information Request (5.1) asks 'What are the optimal hours of attendance at a preschool to ensure children's development and what is the basis for this?' Moreover the CECNSW itself needs time to further consider this question. Whilst CECNSW does support long day care settings, this policy position is not easily combined with the existing range of Catholic sector dedicated preschool operations. For example, a 30-hour week enrolment pattern halves the total number of enrolments in a 40 place preschool. The Catholic Diocese of Parramatta modelled this proposition resulting in a significant decrease in the number of placements to families combined with flow-on effects to flexible workforce arrangements associated with misdirecting families into Long Day Care. Consequently, if this recommendation is to be considered the Productivity Commission would need to recommend that additional LDC services to support the need of short-term preschool places be enabled by government.
- C.4 ECEC services, parents and workplaces will all need time to adjust their business models and working hours in response to any new funding models. For the best outcomes for all parties, early childhood education and child-care arrangements must deliver affordable choices to parents, quality education and care to pre-schoolers and consistency of committed teaching staff to schools. Any adjustment to one setting can destabilise the others. The setting of 15-hour a week maximum government support for pre-schoolers, for example, requires preschools to offer programs (such as 2 x 6 hour days one week, 3 x 6 hour days the next) that do not fit parental work patterns or others (such as 2 x 7.5 hour days) that are educationally contestable for the age group.
- C.5 CECNSW is seriously concerned by the proposal for a divided system for preschools, based on whether they are 'designated preschools' or preschool services provided in long day care centres.
- C.6 While CEC supports measures to facilitate co-location of preschools with primary schools (Recommendation 7.12), it notes that the Draft Report takes its recommendations for linking preschools and schools much further than co-location.
- C.7 Recommendation 7.9 states that 'Dedicated preschools should be removed from the scope of the National Quality Framework and regulated by state and territory governments under

the relevant education legislation. The quality standards in state and territory education legislation should broadly align with those in the National Quality Framework. Long day care services that deliver preschool programs should remain within the National Quality Framework’.

- C.8 Any changes which would diminish the excellent work done by the Early Years Framework in bringing together the programs and standards for children in designated preschools and long day care centres would be most regrettable. CECNSW urges the Productivity Commission to retain all preschools within the NQF and reconsider recommendations that separate the funding mechanism, regulation and even the curriculum for preschool services in designated preschools from that which applies in long day care centres. At the same time, steps must be taken to align preschool education with schooling, whether it takes place in the context of a dedicated preschool or a long-day-care service.
- C.9 CECNSW is concerned that funding will be provided by the Australian Government for preschool access in two different ways as outlined below:
- ‘The Australian Government should continue to provide per child payments to the states and territories for universal access to a preschool program of 15 hours per week for 40 weeks per year. This support should be based on the number of children enrolled in state and territory government funded preschool services, including where these are delivered in a long day-care service.’ (Recommendation 12.9)
- AND
- ‘The Australian Government should provide per child preschool payments direct to long day care services for 15 hours per week and 40 weeks per year, where long day care services do not receive such funding from the states and territories.’ (Recommendation 12.10)
- C.10 Draft Recommendation 12.9 continues: ‘The Australian Government should negotiate with the state and territory governments to incorporate their funding for preschool into the funding for schools, and encourage extension of school services to include preschool’. CEC NSW identifies some advantages, in the longer term, in the extension of preschools to provide a 13th year of funded schooling for Australian children provided that the preschool year maintains its link to the National Quality Framework; that it follows an appropriate play based curriculum such as the EYLF; and the arrangements for long day care services are harmonised. Indeed there is some support for funding arrangements for schools to be extended into the preschool year with dedicated preschools funded by State and Commonwealth government recurrent grants. There would also be a need for access to capital funding grants within current school arrangements.
- C.11 Support for the alignment of preschools with schooling is given without prejudice to current funding support. Negotiations with state and territory governments regarding preschool funding must not be a pretext for governments at any level to withdraw funding.

D. Outside school hours care (OSHC) - improving the accessibility, flexibility and affordability

- D.1 Draft Recommendation 7.4 concerns the development and incorporation into the NQF of ‘a nationally consistent set of staff ratios and qualifications for those caring for school aged children in OSHC and vacation care activities.’ It notes that these ‘requirements should take

into account ratios that are currently acceptable for children during school hours, the uncertainty surrounding the additional benefits of more staff and higher qualifications, and the valuable contribution made by older workers and university/ TAFE students.'

- D.2 CECNSW supports recommendations that increase flexibility for OSHC providers in terms of staff ratios and qualifications. However, as NSW has maintained the requirements for staffing prior to the introduction of the Education and Care National Regulations in 2012, in NSW at present, no formal qualifications are required. The CECNSW recognises the need for minimum qualifications, but urges flexibility with their implementation, given the current profile of staff employed in the sector.
- D.3 Acknowledging that there is an industry wide staffing shortage for the OSHC sector resulting in difficulty in attracting suitably qualified and / or experienced staff CECNSW supports reforms that will provide greater flexibility for OSHC centres to more effectively staff their services. Conversely, any raised minimum qualifications for the OSHC sector would also have budgetary implications through resulting higher remuneration leading to higher fees being charged, impacting on affordability for families. Having said this CECNSW acknowledges that high quality programs do require trained staff.
- D.4 CECNSW supports Draft Recommendation 8.1 which seeks an amendment to legislation with respect to the Child Care Benefit (and to any new legislation), removing a requirement that most children attending OSHC be of school age. There is a caveat: including non-school age children (pre-schoolers) in OSHC potentially has impacts on staffing. If preschool qualifications and ratios rather than OSHC staff qualifications and ratio requirements apply (as safety demands for children under the age of 6 years), there will be potential budgetary effects consequent to the need to meet additional requirements for the younger age group of children. The Productivity Commission may wish to consider advocating for before and after school care programs within existing preschool settings.
- D.5 CECNSW does not support Draft Recommendation 8.2, that 'state and territory governments should direct all schools to take responsibility for organising the provision of OSHC service for their students' (including that for attached preschools). The use of word 'direct' in the recommendation is unreasonable; it should be replaced by a term such as 'encourage'. The limitations on the scope of what schools can reasonably provide in terms of out of school hours care should be acknowledged. Would principals be expected to be able to accommodate the entire school enrolment for quality care before and after school and during all vacations?
- D.6 Combining the Child Care Benefit / JET / Child Care Rebate into one payment type paid directly to the service provider as outlined in Draft Recommendation 12.2 and 12.4 is supported for OSHC services. Currently families can receive Child Care Benefit based on attendance alone, with no fees paid. This allows families to build up debts for care used as well as receiving the 50% 'out of pocket' Child Care Rebate without actually incurring any cost (not paying fees).

E. Removal of ECEC assistance to some providers

- E.1 CECNSW does not support Draft Recommendation 10.1 of the report, which calls for the removal of eligibility of not-for-profit providers to Fringe Benefit Tax exemptions and rebates and to payroll exemptions, with savings redirected to the funding envelope for ECEC.
- E.2 The Report on Australia's Future Tax System 2010 (The Henry Tax Review) addressed the issue of reform of concessions to the Not for Profit sector. It recommended the phasing out over 10 years of fringe benefit tax and its replacement with direct government funding. The Australian government did not accept these recommendations. CECNSW refers the Productivity Commission to the arguments that led to the rejection of even a phased removal of tax concessions for not-for-profit providers
- E.3 Subsequently, the Australian government undertook to reform the use of tax concessions by unrelated businesses run by NFP entities. A Treasury report argued that tax concessions should be targeted at activities that further their 'altruistic purpose'. This report specifically identified NFP child care centres as exempt from these reforms, as they fall within the definition of 'altruistic purpose'.
- E.4 Not-for-profit providers, including those in the Catholic Sector, have invested in facilities and services on the basis of the existing business models that include tax concessions. Were these concessions removed, viability would be compromised and financially marginal services would fail. In particular those services for poorer families who cannot manage a fee rise would be put at risk.
- E.5 Should tax concessions be removed:
 - a) Equivalent funds would need to be provided through direct subsidies with no net benefit to the community, OR
 - b) Poorer families would not be able to maintain attendance, with the consequence that some parents withdraw from the workforce and their children will miss out on quality ECEC.
 - c) The impact on families would be great if school-based services were rendered unviable and the benefits of co-location were lost.
- E.6 Neither does CECNSW support a recommendation for the removal of concessions for employer provided ECEC services. These concessions allow Catholic diocesan and school employers to attract parents back into the teaching workforce under flexible arrangements for the care of their young children.
- E.7 CECNSW does not support a Recommendation that ECEC funding should 'not be allocated to fund social services that largely support parents, families and communities' with HIPPY program (Home Interaction Program for Parents and Youngsters) named specifically for defunding. The HIPPY program is used very successfully to support families in some of our most disadvantaged preschools, and provides just the kind of integrated support recommended in research around the AEDI.

F. Workforce participation

- F.1 CECNSW responds to this topic on behalf of dioceses and schools who are not only providers of Early Childhood Education and Child Care services, but major employers of staff. In 2013, NSW Catholic schools employed 27,276 teachers of whom 76% are female (ABS cat 4221.0 Schools, Australia 2013). As independent entities, dioceses and independent schools operate under a range of industrial instruments, with flexibility a key variable in negotiated arrangements. Increasingly, employers have responded to staff family needs by offering part-time positions and shared work arrangements. Parents are commonly disinclined to work more than three days because of high marginal tax rates and withdrawal of childcare assistance, Family Tax Benefit and Parenting Payment at this point of service provision.
- F.2 CECNSW supports Recommendation 6.1 'The Fair Work Ombudsman, and employer and employee associations should trial innovative approaches' in relation to requests for flexible work arrangement and positive attitudes towards flexible work and family friendly arrangements.

G. Quality assurance processes and regulation of ECEC

- G.1 CECNSW strongly supports moves to simplify and streamline the National Quality Standard, specifically Recommendation 7.1, that the government and ACECQA:
- a) Identify elements and standards of the NQF that can be removed or altered while maintaining quality outcomes for children; and
 - b) Tailor the NQ Standard to suit different service types, for example, by removing educational and child-based reporting requirements for outside school hours care services.
- G.2 Recommendation 7.6 asks for the redesign of the assessment and ratings system, with a view to increasing the pace of assessments, and the abolition of the Excellent Rating. CECNSW strongly endorses these recommendations whilst noting that assessors require comprehensive training so that assessments and ratings are conducted in a consistent manner.
- G.3 CECNSW most strongly disagrees with a proposal under Recommendation 7.2, that educators working with children aged 0-36 months would be required to hold only a Certificate III or equivalent. In addition, the Report proposes that the number of children for which an EC teacher must be employed be assessed on the number of children in the service aged over 36 months. CECNSW supports the employment of trained teachers for younger aged children. AEDI findings increasingly prove the necessity of a proportion of university-qualified staff to work with children from 0-36 months, where their foundation skills are established. To change the requirement would be a most retrograde step.
- G.4 CECNSW supports other recommendations re qualifications (see 7.7) including:
- a) The flexibility for temporarily operating with staffing levels below required ratios; and
 - b) Extension to NSW of a 3-month probationary hiring period for unqualified staff to start their training.
- G.5 CECNSW welcomes measures to address local government issues that delay establishment of centres. Draft Recommendation 7.12, sets out a number of actions for local governments,

including use of planning and zoning policies to support the co-location of EEC services with community facilities especially schools and easing regulation with respect to flexibility in planning rules, parking, restrictions on number of places, and clear guidelines for assessment of development applications.

H. Ongoing support for evaluation and program assessment

- H.1 CECNSW welcomes the suggestion (Recommendation 13.2) that makes use of available data. CECNSW has promoted the use of AEDI data in all forums available to it, and is pleased to see that the AEDI is referenced in recommendation 13.2 and is cited 56 times in the whole report.
- H.2 CECNSW strongly supports the recommendation to link of a number of information sources including NAPLAN results and the AEDI to establish a longitudinal database, for use for research and policy development purposes, subject to stringent privacy and data protection requirements.

I. Modelling and costings of preferred model

- I.1 CECNSW notes that the Inquiry was asked to provide options 'within existing funding parameters'. The report suggests quite radical changes with respect to the funding of services for pre-schoolers and a potentially changed relationship with school funding.
- I.2 CECNSW is of the opinion that the 28th August Technical Supplement to the Draft Report is insufficient to allow agencies to undertake financial modelling. While the micro simulation model provides analysis of the overall economic impact of the subsidy proposal and analysis at a service delivery level, it does not provide the financial structure for an analysis of individual families. CECNSW notes that the final report will need to include 'a better mapping of households to the actual childcare prices families are likely to face'. This information is urgently required for an informed service level response to be developed.
- I.3 CECNSW therefore requests that the planned analysis be brought forward and that additional focused data and modelling be provided to show the effect of preschool funding being brought into the school system or delivered applying other models. In this context it has been noted that certain modelling advice in respect of "Deemed costs" was released on 28 August 2014 for review. There needs to be a clear agreement on responsibilities for state and federal governments, particularly as they relate to non-government services and funding. All agreements must incorporate preschool services provided in long day care centres and dedicated preschools.
- I.4 Market behaviour will change rapidly to suit changes in funding regimes and these must be anticipated or forestalled where service delivery distortions may emerge.
- I.5 CECNSW will provide separate feedback on the 28 August 2014 Productivity Commission "deemed costs" modelling.

J. Capital issues related to establishment of new centres

- J.1 It appears that capital development of preschools may be identified as a State and Territory responsibility. In Information request 12.10, the Commission 'seeks views on how best to transition to full state and territory responsibility for preschool delivered in long day care services as well as preschools'. If this is the case, will school capital building mechanisms apply to preschools as for schools? Should this occur the available capital funding for schools would need to be enhanced.
- J.2 CECNSW notes that capital costs are the main barrier to expansion of quality early childhood education services. Any program that promotes early childhood education must provide capital assistance for new and expanding services. Such additional funding could be targeted to low SES and 0-6 population growth areas.

3. CONTACT

For further information, please contact:

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