



# SDN Children's Services Response to the Draft Report of the Productivity Commission Inquiry into Childcare and Early Childhood Learning 2014

## Introduction

SDN Children's Services currently provides high quality early childhood education and care (ECEC) services to 2,000 children per day and about 3,000 children across any one year. We operate an integrated services model of service delivery that incorporates a range of family strengthening supports, case management, and therapeutic services for children with disabilities. In all, around 11,000 children, families and other service providers benefit from SDN's work each year.

As an organisation committed to social and educational inclusion, we support the Productivity Commission's view that there is a role for government to play in supporting ECEC because of the role ECEC plays in:

- Supporting families' access to the workforce
- Helping children with developmental delays start school better prepared
- Addressing inequalities in opportunity for children:
  - with disabilities
  - in challenging circumstances
  - living in rural and remote areas.

The social and public good that high quality ECEC provides cannot be ignored in any re-setting of public policy levers.

## The main recommendations of the Productivity Commission and SDN's responses

### 1. The one new means-tested payment to families

An Early Care and Learning Subsidy (ECLS) based on a 'deemed' cost of care set at the moment at \$7.53 per hour does not take into account the high cost of high quality service provision in the capital cities. An average 'deemed rate' will not be sensitive enough to local cost drivers and **we recommend a post-code-based system, not a national average. We further recommend that the postcode of the centre, not of the families, is used.**

Many of our centres are in the inner city of Sydney where costs are high, so nearly half of the families we support attend a centre in a high cost area. This means that based on current actual circumstances, 745 or 41% of our 1,816 families will be worse off under the 'deemed cost of care' ECLS model.

Coming from the inner city suburbs of Sydney, we anticipate this will affect families who are already facing a range of cost-of-living demands. And we believe an increase in their childcare costs would impact negatively on their workplace choices. We don't believe that this was the intention of the Productivity Commission. Any changes made to the system should result in more encouragement to participate in paid work, not less.

2. The percentage of ECLS to be applied is not high enough for low income earners. When combined with the deemed cost that is set unrealistically low, the daily fees do not need to be uncommonly high before the combined impact makes all families in our services worse off:

- Our modelling shows that that for a family with one child enrolled for two days per week and where the daily fee is **\$92 or less**, families are the same or better off until their income level hits \$180,000.
- The more the daily fee increases over \$92 per day, the worse off families become. For daily fees **between \$94 and \$100 per day**, families with incomes under \$40,000 (which currently attracts the maximum rate of CCB) are all worse off
- Once the daily fee reaches **\$102 per day**, families with an income below \$60,000 **are all worse off** than under the current CCB and CCR regime. Payment of 90% of the deemed cost of care is not enough for them.
- Once the daily fee is **\$105 a day or above**, all users of our centres are **all worse off** under the 'deemed cost of care' ECLS model, **at all income levels: low, middle or high.**
- Finally, **all families** with combined incomes of over \$230,000 **are worse off**, regardless of the daily fee charged.

We have several families on low incomes who choose to travel to and use centres where the fee is above \$100 per day. By encouraging both high and low income families to access the same centre, a better social mix and greater social cohesion is created. For this reason we support low income families still having the choice of using a higher fee-charging centre by providing them with an additional benefit: increasing the ECLS per cent payable to them.

- We have 386 families who are on a combined family income of \$40,000 or less. Of these families, 150 or 39% will be worse

off under the ECLS, effectively being penalised for using a centre that might be close to their workplace as opposed to being close to their home (where they might be able to access a lower cost centre).

**Thus we recommend that for families whose income is below \$60,000 that 100% not 90% of the ECLS is payable.**

3. All of the available evidence shows that the qualifications of educators and carers in a service is the main indicator of quality. Use of approved nannies who have at least a Certificate III or better (and not unqualified 'au pairs') who would also get the 90% - 30% rate of assistance, but at an hourly rate of \$6.84 is reasonable. We also support this assistance being extended to grandparent carers who also have a Certificate III qualification.
4. We support a new Disadvantaged Communities Program that would 'block fund' providers who operate in highly disadvantaged communities. Our experience tells us that the best outcomes are achieved when an integrated approach is taken and funded. A range of disciplines and perspectives are needed to make a real difference for children and families in challenging circumstances and neighbourhoods.
  - Our model of support for disadvantaged communities and its estimated cost is attached. This support should be on top of the 100% of ECLS payable to low income families (under \$60,000) and addresses the particular engagement strategies that are required and the cost of capacity building for staff.
5. A new Inclusion Support Program would need to **build** on not replace the existing Inclusion and Professional Support Program (IPSP). Merely providing one-off grants for equipment and training in order to include children with additional needs is not sufficient. This is a step back from the current practice and approach of the Inclusion Support Agencies we currently run that are funded by the IPSP.
6. We do not support the removal of tax benefits to not for profit providers.

The Australian Charities and Not for Profit Commission estimates that there are 600,000 not for profit organisations in Australia, of which 56,000 receive tax exemptions. Not for profit child care receives its tax exemptions because of the ATO ruling and considerations given to all not for profit organisations. Dismantling this would be quite an undertaking.

We also believe this would counter to the 2010 Productivity Commission's report *Contribution of the Not-for-Profit Sector*, which found that \$43 billion is contributed to Australia's gross domestic product, and represents 8.5% of employment in Australia. We recommend re-reading this report and noting its recommendations to ensure that any of the recommendations stemming from this current work of the Productivity Commission are consistent with previous recommendations of the Productivity Commission.

As a not for profit provider, tax concessions and other rebates such as community-based rental rates on premises allows us to keep our running costs down, and to be able to invest in high quality, qualified staff. Loss of the tax concessions would mean our costs would rise, which would need to be passed on directly to families through increases in daily fees.

7. We support preschool programs that are provided within a long day care setting being subsidised at the same rate as stand-alone preschools. Where parents choose, for work or other reasons, to use preschool programs in long day care centres, the preschool program component being subsidised by the Australian Government at the same rate per child as in dedicated preschools is a positive move.
8. We actively support university-trained teachers being required for all age children, not just required for children aged 36 months and above. Carers for children 0-36 months need as much if not more expertise and skill than those teaching older children due to the formative nature of human beings at the earliest stages of life. All evidence supports the fact that children learn from birth, and this is reflected in the national curriculum, the Early Years Learning Framework, which is part of the National Quality Framework. Any move to not require university-trained teachers from birth onwards would be a retrograde step and in direct contradiction of Australian and international evidence.

### For more information

Contact:

Ginie Udy

Chief Executive Officer

SDN Children's Services