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Childcare and Early Childhood Learning
Productivity Commission
Canberra

RESPONSE TO DRAFT REPORT: CHILDCARE AND EARLY CHILDHOOD LEARNING

Dear Commissioners,

We are a group of researchers from the Social Policy Research Centre at the University of New South Wales. Led by Professor Deborah Brennan and Dr Jen Skattebol, we have recently completed an ARC Linkage project entitled *Families at the Centre: Negotiating Australia's Mixed Market in Early Childhood Education and Care* (ARC Linkage Grant LP100200297).¹ As part of this study, we interviewed over 120 parents with children below school age between 2011 and 2013. The interviews were conducted in six sites (and four states) across the country and focused on families' decisions about paid work and the use (or non-use) of early childhood education and care. Most families who participated in the study were low-income families. Some families had vulnerabilities aside from (or in addition to) low-income that reduced their chances of accessing affordable and appropriate ECEC services. These included:

- employment instability (often linked to the issues below)
- children with a disability
- having recently migrated to Australia or arrived as a refugee
- other factors such as domestic violence, housing instability, and involvement with the child protection system

On the basis of our study, we wish to make some comments in relation to the draft recommendations of the Productivity Commission.

We support some aspects of the Productivity Commission report, in particular:

- the simplicity of combining the CCB and CCR into one payment for most families

¹ The Partner Organisations who supported this study were: Early Childhood Australia, Mission Australia, Brotherhood of St Laurence, Gowrie NSW, Gowrie SA and Gowrie Queensland. This submission, however, is the work of SPRC researchers and does not necessarily reflect the views of the Partner Organisations

- the *principle* of directing more spending to essential costs of services (and also to low- and middle-income families) by linking the ECLS to ‘deemed costs’. However, we have concerns with the level proposed in the draft Report, as discussed below.

Based on our research, however, we believe that the recommendations of the Commission will have negative implications for the most vulnerable children and families. A number of the recommendations made in the Report do not take account of the extensive and robust research about the benefits of formal ECEC for children and families from disadvantaged backgrounds (Moore 2014). The proposed recommendations would be a backward step for Australia, and would stand out as more countries are moving toward universal provision, especially children from disadvantaged backgrounds (e.g. UK free ECEC for 4, 3 and disadvantaged 2-year olds).

The recommendations, if implemented, would further increase barriers to access for children with additional needs, namely i) children with a disability, ii) children in families where neither parent is working, iii) children at risk of neglect and abuse and iv) recent immigrants. These are the groups that are most likely to benefit from participation in quality early childhood programs, yet the Productivity Commission is proposing changes that will further disadvantage their ability to access these services.

There are two recommendations that we are particularly concerned about on the basis of our research with low-income and vulnerable families. A third area for concern, regarding the recommendations for extension of subsidies for families using nannies and in-home child care is relevant to vulnerable families and children and also the broader ECEC sector.

1) Activity test

Draft 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. The program should:

support up to 100 hours of care per fortnight for children of families that meet an activity test of 24 hours of work, study or training per fortnight, or are explicitly exempt from the criteria.

On the basis of our findings, we make the following observations:

- i. Children in families where neither parent (or single parent) participating in work, study or training gain major benefits from high quality ECEC services.
- ii. Parents are often not working due to complex family circumstances or personal histories and a high quality ECEC environment for their children is beneficial to both children and parents.
- iii. Early education and care for children with disabilities is highly valued by parents regardless of workforce status.
- iv. Subsidy complexity can be a barrier to using ECEC and activity testing increases complexity, for example for families with intermittent employment, and is likely to further isolate low-income and vulnerable families.

- v. Access to ECEC for these families is key to overcoming intergenerational disadvantage.
- vi. The targeted In-Home Care program offers an invaluable service for some low-income and vulnerable families, who are unable to access mainstream ECEC. The activity risks denying vulnerable families access to this targeted service.

Excluding children whose parents do not meet the proposed 'activity test' will have particularly severe impacts on children from low-income families. In addition, an activity test will negatively impact the three groups of children the Report identified as having 'additional needs'. Data shows that children with additional needs are the children least likely to use ECEC services (Productivity Commission, 2014a).

Research shows that these groups of vulnerable children are likely to benefit the most from high quality services yet the recommendations make their participation in ECEC dependent on their parents' work, study and training status. While there are additional provisions included for these groups of children (*Draft Recommendation 12.6*), these funding initiatives will not address the negative impacts of the work, study and training test.

Our research shows that these three groups of 'additional needs' children will be impacted negatively by the activity test.

Children with a disability

For families with children with a disability (whether or not a formal diagnosis has been made) substantial support is needed that extends beyond cost. Affordability is not always the biggest concern for these families, though it can be a significant factor. Other considerations include:

- Obtaining a formal diagnosis can be complex and time-consuming – sometimes taking years. These children are unable to access the additional supports and resources offered to children with a diagnosed disability. Introducing an activity test would impose further challenges to these children accessing mainstream services.
- In some instances, staff in ECEC services identify a child's disability or developmental delay. Removing access for the children of non-workforce participants will potentially close a door to these families finding referrals for specialist support and delay diagnosis.
- Many mainstream ECEC services provided early intervention support to children with a disability. Removing access for non-workforce participants will potentially disadvantage these children further.

Children at risk of neglect or abuse

For families and children with a history of neglect or abuse, participation in formal ECEC services provides the child with an enriching learning environment and, at a minimum, a safe place. Removing access to children of parents not participating in the workforce would have significant implications for children at risk of abuse or neglect. Our research found that:

- Complex family circumstances, including instability from domestic violence, meant workforce participation was not an immediate priority for some families.

- Formal ECEC services offer a place of support for mothers experiencing domestic abuse, including housing, counselling and early intervention.
- Children at risk of abuse or neglect are more likely to be living in jobless families or in *informal* foster care arrangements, where they are not picked up by the formal child protection system.

Recent immigrants and children from non-English speaking backgrounds

For children from families who have recently migrated to Australia (especially refugees), formal ECEC services offer more than a quality learning environment for children. There are substantial benefits for these parents and families, for example:

- ECEC can support children to learn the language and culture of Australia
- ECEC can help parents and children to connect with the local community
- ECEC services offer a place of referral for more specialised services and jobs for parents

Since most parents use formal child care for approximately 20 hours/week, there is room to debate the appropriate number of hours of subsidised care for children of non-workforce participants. It may be that the current figure of 24 hours per week should be lowered.

Flexible provision (e.g. half days) could be of assistance to parents who do not meet the activity test, allowing them to choose the pattern of attendance that best meets their needs.

2) Determination of deemed cost

Draft 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. The program should:

determine annually the hourly deemed cost of care (initially using a cost model, moving to a benchmark price within three years) that allows for differences in the cost of supply by age of child and type of care

We agree in principle that subsidies should be linked to a determined and reasonable cost for delivering ECEC, but the current recommendation of using median service fees as the basis of 'deemed costs' will have a negative impact for many Australian families using ECEC, across all income levels. The potential implications for low- to middle-income families are of particular concern.

- Low- and middle-income families using services above the deemed cost would face substantial out-of-pocket costs that would have implications for their own workforce participation (and therefore their child's participation in ECEC). In some neighbourhoods, high cost services are the only option.
- The Commission acknowledges that the deemed cost model potentially increases the out-of-pocket costs by a larger amount for middle- to high-income families, however

we also know that these higher income families are less responsive to changes in child care costs (Productivity Commission, 2014b).

We welcome the Commission's recommendation to determine a 'benchmark price approach'. **However, a 'benchmark price approach' should be developed in consultation with the ECEC sector and determined prior to the implementation of the ECLS. The use of an 'efficient price' based on median costs will substantially increase costs for many Australian families using ECEC.**

3) Extension of subsidies to nannies

The Australian Research Council funded project, Families at the Centre, also included a PhD project, undertaken by Elizabeth Adamson. This research project focused on in-home child care, or nannies, in comparative context. The findings from this research are relevant to three draft recommendations, outlined below.

Draft Recommendation 8.5

Governments should allow approved nannies to become an eligible service for which families can receive ECEC assistance.

It is acknowledged that greater flexibility is needed in the system, particularly for families working shift work and other non-standard hours. However, research and international examples of in-home child care models demonstrate concern for extending subsidies to nannies as individual approved service providers. In particular:

- Direct employment of nannies by families poses greater potential for poorer working conditions and exploitation of the care worker.
- By linking nannies and in-home child care workers to mainstream providers (e.g. FDC schemes) there is greater protection for the care workers and it is easier to implement and monitor the NQS and other safeguards.
- Centralised 'service hubs' (including FDC schemes, LDC centres and other service organisations) offer places to offer training and professional development to nannies.

It is therefore recommended that, for families using nannies to be eligible for subsidies, nannies must be linked to or employed by a mainstream service provider, including FDC schemes, LDC centres or separate in-home care provider organisations.

Draft Recommendation 8.6

The Australian Government should remove the In-Home Care category of approved care, once nannies have been brought into the approved care system.

Findings from the research demonstrated that the In-Home Care program provided an invaluable service for many low-income and vulnerable families, and families with other barriers to accessing mainstream services. Australia's current In-Home Care program stands out as best practice internationally because it addresses the needs of children in vulnerable families, not only the workforce needs of parents.

- Many families accessing In-Home Care lived in rural and remote areas, and require seasonal or short term periods of in-home child care. The In-Home Care program, through service providers, facilitates services to meet the needs of the parents and children.
- Other families use In-Home Care because they are experiencing illness or death in the family. Removing the In-Home Care program will have a negative impact on these families finding appropriate care, often for short-term periods.
- The elimination of the In-Home Care program, especially in combination with the activity test, would have negative implications for vulnerable currently eligible for approved In-Home Care.

It is therefore recommended that, regardless of the outcome of extending subsidies to families using approved nannies, the In-Home Care program should be retained as a targeted program for children and families with additional needs and unable to access mainstream services. The two targeted groups should be: children in families living in rural and remote areas with no access to mainstream services; and children and families experiencing short periods of illness or loss, where in-home child care arrangements are a benefit to the child and parents.

Draft Recommendation 8.7

The Australian Government should simplify working holiday visa requirements to make it easier for families to employ au pairs, by allowing au pairs to work for a family for the full 12 month term of the visa, rather than the current limit of six months.

International evidence shows that immigration policy that supports the hiring of in-home child care and other domestic workers can have negative impacts for the pay and working conditions of the care worker (Busch, 2013; Williams and Gavanoas, 2008).

Any extension to the working holiday visa must consider the implications for the care worker and for the quality of care for the child. While it is supported that the subsidies should not be extended to au pairs, any policy that supports the provision of low-paid child care work must ensure that proper regulations are in place to protect the family, child and care worker.

Thank you for the opportunity to provide evidence to the Productivity Commission inquiry into childcare and early childhood learning.

Sincerely,

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Professor Deborah Brennan
Dr Trish Hill
Dr Bridget Jenkins
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SPRC
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