

SUBMISSION TO PRODUCTIVITY COMMISSION ENQUIRY INTO CHILDCARE AND EARLY CHILDHOOD LEARNING

Anglicare NSW South, NSW West & ACT appreciates the opportunity to respond to the Productivity Commission's Draft Report into Child Care and Early Childhood Learning. This timely review provides a valid, research-based rationale for maintaining and improving the quality of early education and care by making it accessible and affordable to the community.

Anglicare NSW South, NSW West & ACT (Anglicare) operates 11 different children's services with 690 places and annual turnover of approximately \$10 million. They range from a 40 place supported playgroup in Bradfordville, a highly disadvantaged suburb of Goulburn, NSW, to the 145 place Southern Cross Early Childhood School which is part of the ACT Government's Southern Cross Early Childhood School in Scullin, ACT.

Anglicare's core mission is to support vulnerable children and their families. A key strategic direction for the organisation is to engage and support vulnerable children to have sustained opportunities to access early education through our Early Childhood Education Centres (ECEC). This focus is in response to research which confirms that "The impact of early developmental delay has been linked in a range of studies to continued physical, social and economic vulnerability across the lifespan (Shevell et.al 2005; Baker et.al 2003; Boyle 1994)". Further expert opinions confirm that the most effective and cost-effective way of increasing equality of opportunity is by providing high quality early childhood education in the first five years (Heckman 2014).

In line with our mission priorities, Anglicare provides significant related aquittable (non-surplus generating) community services in rural NSW and ACT including Out of Home Care (\$23 million turnover) and Youth and Family Services (\$5 million). One example of the integration of Early Learning and community services is Anglicare's 29 place Long Day Care centre co-located with our homelessness program and emergency accommodation flats in Goulburn, which especially caters for highly disadvantaged families with complex issues.

Anglicare also operates \$4 million worth of disability services and with the roll out of the National Disability Insurance Scheme we are exploring the potential to leverage our expertise in Early Education and Care to deliver tailored services to parents who care for a child with a disability.

We make comment on the following:

- **The continuation of Commonwealth funding for 15 hours of universal access to a preschool program for children in their year before school:**

- This must be made accessible to all Early Education and Care centres that provide a Preschool program, implemented by a degree qualified Early Childhood teacher. This subsidy is particularly important for our rural and remote preschools which offer the only early education in small towns. In rural areas a small market and a high ratio of indigenous children means viability is linked with the subsidy. The subsidy also assists with our ability to employ a trained Early Childhood teacher.
- **Maintaining and extending the National Quality Framework to include all Early Education and Care models, including Preschools.**
 - Anglicare is especially concerned about maintaining and developing quality early education services in rural NSW. In small rural communities Family Day Care or Preschools are often the only viable model because of the small market.
 - Extending the NQF framework will ensure quality care is available to all children including those with in-home nannies. The regulation of this service is ambiguous but could easily be incorporated into a family day care scheme and this extension needs to be further explored.
- **Qualification level for carers of infants:**
 - The first 3 years of a child's life are the most important in laying the foundation for future learning. The research literature consistently confirms that the crucial period for brain development for infants and children is between 0 and 3 years (Perry, 2005; Gaskill & Perry, 2012; Gopnik et.al 2000). With this in mind it is imperative that we keep the minimum qualification for room leaders of this age group at Diploma level and not Certificate III. The Diploma level qualification ensures that Educators are well informed and understand the critical theoretical frameworks of attachment and child development, to comprehensively inform the care and early education services they deliver. The Certificate III in contrast provides only fundamental introductory education in the areas of attachment and child development and workers with the Certificate III will require support and direction from Diploma/Degree level workers to ensure high quality services for infants 0-3 years. Certificate III is currently the minimum qualification for family day carers however within our Service they are well supported with guidance and direction from our Diploma and Degree qualified staff who visit them on a regular basis.
 - The skills shortage currently experienced in this industry can only be heightened by lowering the room leader qualification for infants to Certificate III. At this level staff do not have the necessary training to both provide both the care and education programs as well as management responsibilities including supervising a staff team of up to five Educators as well as attending to the documentation for up to 16 infants. This may lead to Certificate III Educators leaving the industry. Additionally if the qualification drops to a Certificate III level, it raises the question of what to pay the new room leaders, as we cannot

ask them to undertake the responsibilities of Diploma qualified Educators but only be payed at a certificate level.

- Nanny services are currently unregulated and we strongly support the recommendation that home nannies have minimum Certificate III level qualifications, to ensure they have at least foundational knowledge to inform their care of infants and children. Additionally it would further enhance the quality of care for infants in these circumstances to receive support and oversight from Diploma/Degree qualified staff.
- **Replacing current childcare subsidies with a single means tested Early Care and Learning Subsidy.**
 - This suggestion will improve administration and the support provided to low and middle income families, covering up to 90 per cent of costs. However, for vulnerable children and their families there should be no costs with an extension of Special Child Care Benefit beyond 13 weeks. There is considerable evidence that supporting vulnerable families through the provision of quality early childhood education and care helps break the cycle of disadvantage because it boosts children's school performance, life chances and their participation in society. By investing in these children and their families in early years we are enhancing their opportunities for full participation within the community as adults without the need for ongoing dependence welfare supports and benefits.

Recommendations on not-for-profit providers

Anglicare is also deeply concerned about the Draft Recommendation which suggests:

- The Australian Government remove the eligibility of not-for-profit ECEC providers to Fringe Benefit Tax exemptions and rebates.
- State and Territory governments should remove eligibility of all not-for-profit childcare providers to payroll tax exemptions.

We do not support the removal of these exemptions and rebates due to the potential impact on service viability. Not-for-profit services often cross-subsidise their program making it possible to provide ECEC services in areas of social vulnerability that may be 'non-viable' on a for-profit basis.

Furthermore due consideration has not been given to the scope of charitable services provided by some not-for-profits. Charitable providers, such as Anglicare, also provide related or integrated employment, homelessness and family services to highly disadvantaged families accessing ECEC. This is often in areas of disadvantage where carers have unstable employment arrangements and the need for occasional care is high. If these services were to become non-viable, the burden of providing services would fall on government or significantly, vulnerable children would not have access to critical early education and care.

In our view, the competitive neutrality principle that the Commission is applying is inappropriate in this context. The considerable social and economic benefits of providing tax concessions to not-for-profit ECEC services do not appear to be taken into consideration. We endorse the position of the Melbourne University Not for Profit Group¹ that the competitive neutrality argument is problematic when applied to not-for-profits:

- Comparing not-for-profit with government and private providers is inherently difficult, because of **the need to compare the different objectives of the organisations and to include in the balance the public benefit provided by NFPs.**
- **Comparisons need to take into account disadvantages suffered by NFPs including limited access to equity capital.** Other disadvantages include the inability to retract and retain specialist staff unless the fringe benefit component is available to make salaries more competitive, and the challenge of reinvesting operating surpluses into diminishing funds where there is a growing and unfunded need for community services.

We note that the average profit margin for services is around 5 per cent. Not-for-profit services reinvest this back into the communities they operate in, rather than distributing it to owners/shareholders. This reinvestment can be used to provide other vital services in the communities in which the not-for-profit service operates.

We note Draft Recommendation 12.11 which proposes redirecting any additional tax revenue gained, or administrative savings from, removing ECEC related tax exemptions and concessions to expand the funding envelope for ECEC. We are concerned that the concessional arrangements would be removed but that additional direct funding would not be forthcoming, or would be constantly vulnerable to budget cuts.

We thank the Commission once again for the opportunity to provide comment on the Draft report and strongly advise the removal of the provisions we have identified, from the Final Report.
