



RESPONSE TO
PRODUCTIVITY
COMMISSION
DRAFT REPORT INTO
CHILDCARE AND EARLY
CHILDHOOD LEARNING



Australian Childcare Alliance



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Introduction

The Australian Childcare Alliance (ACA) is extremely proud of our Early Childhood Education and Care (ECEC) sector. ACA and other peak bodies have worked tirelessly to professionalise the sector and to be recognised for the education and care that does occur each and every day, informed by the Early Years Learning Framework (EYLF). We have Early Childhood Teachers in our services and the strength of our new training packages for Diploma and Certificate III are influenced by the outcomes of the EYLF and the National Quality Standards (NQS).

The past few years have been challenging for the sector with the introduction of the National Quality Framework (NQF). This period has been traumatic for families as costs of ECEC have risen substantially and many parents have had to make decisions as to their workforce participation. Many of these decisions have resulted in more part-time employment.

We support the Australian Government's decision to commission this review and comment on the *Productivity Commission's (PC) draft report on Childcare and Early Childhood Learning* as it provides an opportunity to examine all aspects of the funding models, workforce issues and the additional areas that are intrinsically linked to ECEC services.

ACA has summarised below and substantiated throughout this submission the areas where we see much merit; areas requiring clarification; and areas where we have considerable concern.

The following recommendations and policy suggestions outlined by the PC are supported and should be recommended to Government. These include:

- *Draft Recommendation 12.4* - the proposal to provide the subsidy directly to the service provider
- *Draft Recommendation 12.9* - Preschool/kindergarten programs in LDC subsidised at same rate as in schools -unsure
- *Draft Recommendation 12.2* - the proposal to differentiate subsidy levels based on age groups
- *Draft Recommendation 7.11* - the proposed removal of food safety guidelines from the NQF
- Early Childhood teachers not required to have 0 – 2 (3) training
- *Draft Recommendation 7.10* - The proposal to address inconsistency between jurisdictions on working with children checks
- *Draft Recommendation 10.1* - The proposed removal of fringe benefit tax concessions for not for profit services
- *Draft Recommendation 12.1* - The proposed removal of the fringe benefit tax exemption for employers with LDC services
- *Draft Recommendation 10.1* - The proposal for State governments to remove exemptions to Payroll Tax for NFP providers (should pay income tax as well) – level playing field

There are a number of draft recommendations and policy suggestions in the draft report that require further clarification or are not supportive. These include:

- *Draft Recommendation 12.4* - The proposed deemed rate
- *Draft Recommendation 12.2* - The proposed funding models
- *Draft Recommendation 7.2* - The recommendation to remove Diploma requirements for educators working with 0 - 3 year olds
- *Draft Recommendation 12.4* - The proposed removal of the current 24 hours per week of subsidised ECEC for children without the need to meet an activity test
- *Draft Recommendation 12.3* - The proposed removal of the 100% subsidy for grandparents with primary support for their grandchildren
- *Draft Recommendation 8.5* - Nannies receiving a subsidy for care
- *Draft Recommendation 7.9* - The proposed removal of preschool/kindergarten services from the NQF and into the State Education system
- The assumption that income dictates whether a family should be considered vulnerable and disadvantaged–
- *Draft Recommendation 12.5* - The proposed restrictive, capped viability assistance program for regional, rural and remote communities
- *Draft Recommendation 12.4* - Care of children with disabilities/additional needs – 100 hours means tested – unsure
- *Draft Recommendation 6.1* - Challenges of families re-entering the workforce – second income
- *Draft Recommendation 12.7* - Children at risk of abuse or neglect

ACA has responded to selected draft recommendations, findings and information requests. A range of appendices and supporting information has been provided.

A single payment approach

A key feature of the draft report is the recommendation to adopt a single payment model to support families to access early childhood education and care (ECEC).

It is unlikely that structural remedies, such as the proposed Early Care and Learning Subsidy (ECLS), will address the fundamental affordability challenges faced by families as this model represents a simple redistribution of the overall financial assistance envelope.

This redistribution will have a considerable impact on families and their children, service providers, both not for profit and private, with a marginal return for government, the budget and the economy overall.

The proposed workforce participation improvements outlined in the draft report are limited and may never eventuate in actual terms as they are countered by deterioration in the capability of other families to afford ECEC participation and as a result exit the workforce.

ACA will continue to advocate for a sustained and substantial increase in the funding envelope for support for families to access ECEC so that overall decline in support, in real terms, in recent years is rectified.

These structural solutions that have featured commonly in the recent history of funded ECEC programs are often temporary solutions are proven inadequate in addressing the social and economic policy outcomes that are ultimately desired by families and government alike.

The introduction of funding in the early 1990s, that included the private long day care sector, was a remarkable initiative for families. During this period the community witnessed the introduction of formal, regulated child care to the lives of many families and their children.

It was the beginning of an essential public/private partnership to support workforce participation in the community that provided parents with genuine options.

Educators within the sector saw their casual work arrangements transition to full-time positions and we witnessed the beginning of early learning through the introduction of an accreditation process. Importantly, the support available made ECEC affordable for families.

An important aspect of this system was that it allowed children from non-work related families and vulnerable and disadvantaged families to attend an ECEC service for up to 60 hours per week and services reported on the valuable work that was carried out with the children and their families during this time. The 60 hours was later varied to 50 hours for work related families and 24 hours for non-work related families and supplemented with a Medicare rebate to assist families further.

In the period after 1997 services - both private and not-for-profit managed - collapsed and closed across Australia on a daily basis. Families resorted to informal care with vulnerable and disadvantaged families exiting services. This resulted due to the erosion of the subsidies, bad debts (driven by subsidy payments being directed to families without account settlement) and oversupply of places in services.

In response, the then Coalition Government introduced a Planning System that featured *Planning Advisory Committees* (PAC) operating in each state and territory. A moratorium was placed on building services and any new services could not receive subsidies unless they were meeting an area deemed undersupplied by that state's PAC.

Developers were permitted to build service in areas of their choice, but it would not be approved by government to access fee subsidies for families. This approach ensured supply and demand were inherently linked and also provided for a consolidation period for the sector.

In 2000 the Australian Government merged the former Child Care Assistance subsidy and the Medicare Rebate into one payment – the Child Care Benefit (CCB). Families returned to the workforce and to regulated care, however child care was not affordable for vulnerable and disadvantaged and low income families.

In 2005 the Australian Government introduced the Child Care Tax Rebate (CCTR). This subsidy provided 30 per cent payment of out-of-pocket expenses as a separate subsidy to the CCB.

This was considered a “clumsy” payment as the parents could not claim until they had submitted their tax return and it developed a period of bad debts causing viability issues for services.

In 2008 the CCTR was increased to 50 per cent of out-of-pocket expenses and detached from the Australian Taxation Office and rebranded as Child Care Rebate (CCR). Again this was fraught with problems as parents received their subsidy on the account from the service, without having an obligation to pay the fees.

The introduction of CCR assisted working families, and particularly those not eligible for CCB, low to middle income families began to struggle as the CCB rate devalued.

However, regardless of the payment structure, government policy decisions, such as decisions to freeze CCR indexation and introduce regulatory and quality systems without properly acknowledging the cost of these initiatives, have caught families in the pincer between eroding subsidy and increasing fees.

A single payment approach will only be effective if there is a sufficient funding envelope to support families. A redistribution of assistance with structural change may result in some short term efficiency gains in the allocation of funding, but it will ultimately fail to address the social and economic (workforce participation) policy objectives of the ECEC system.

ACA acknowledges the overall fiscal concerns of government, but it must also accept that the ECEC sector has not been subsidised additionally over the past several years, apart from growth in usage. Australia spends approximately 0.45 per cent of gross domestic product on ECEC, which equates to one of the lowest as a proportion of GDP of any country in the OECD. The countries that are marked as best-practice spend significantly more, for example New Zealand, which spends approximately 1 per cent of GDP.

Responses to specific aspects of the draft report

Draft Recommendation 12.2

That the Australian Government should combine the current Child Care Rebate (CCR), Child Care Benefit (CCB) and the Jobs Education and Training Child Care Fee Assistance (JETCCFA) funding streams to support a single child-based subsidy. For children attending centre based or home based care.

ACA acknowledges that the current system is not effective and, in some cases, families have been priced out of the workforce.

The implementation of the NQF, the extended freeze on the CCR and the devaluation of the CCB over the past ten years have all exposed parents to greater out-of-pocket costs.

Parents and services alike would certainly welcome a simplified, streamlined single payment. However, it is not yet clear whether the model proposed will ensure that families are the beneficiaries of a subsidy that makes ECEC more affordable for families.

The ACA Member Survey August 2014¹ indicated that 80 per cent of respondents reported that continuing a freeze of the CCR subsidy will affect families' workforce participation whilst 81 per cent suggest that the freeze on the CCB thresholds will have a negative effect on families (See Figure 1 and 2). Families require more affordable ECEC services if they are to remain in the workforce.

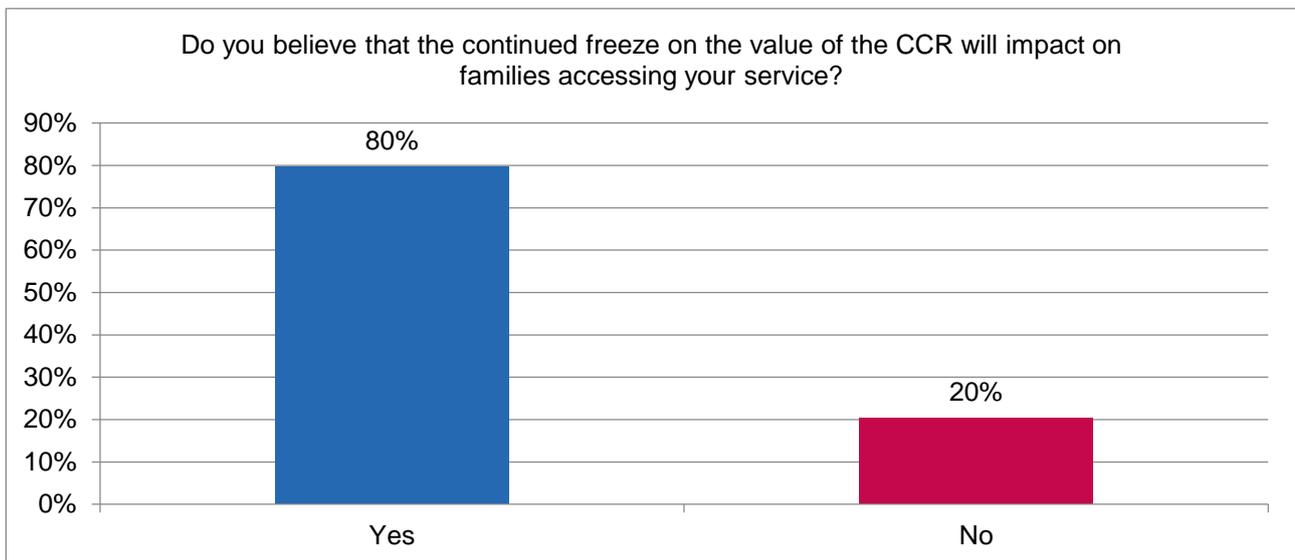


Figure 1. Impact of CCR freeze on families.

¹ Australian Childcare Alliance 2014, *Australian Childcare Alliance Member Survey August 2014*.

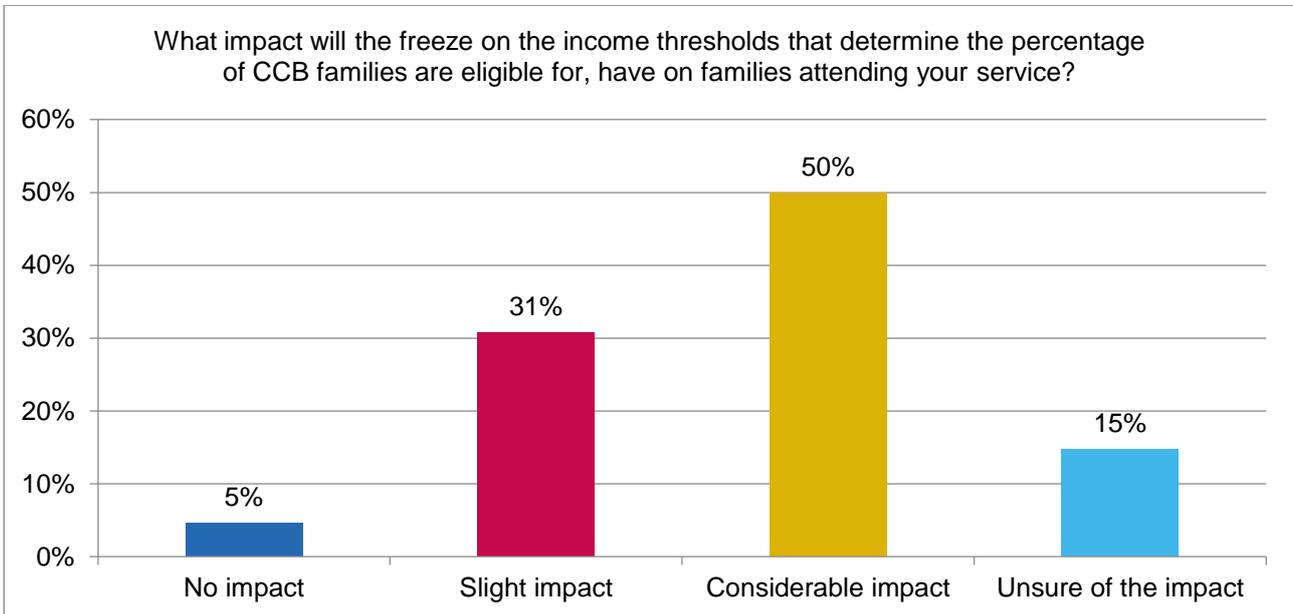


Figure 2. Impact of CCR freeze on families.

The ECEC sector has progress through constant change since the early 1990s between funding systems that featured single and multiple payments. All too often decisions on funding models have occurred during election campaigns or in the lead up to an election and consultation with the stakeholders fails to occur.

ACA believes this draft report is an opportunity for all stakeholders and governments to collectively determine the right approach to a future funding model.

This draft report has assessed four options; however, we now must ensure that the true impact of all models on children, their families, educators and the sector is fully understood.

It appears that families and children, and ultimately the workforce, will be negatively affected by the proposals outlined in this draft report and we must continue with negotiation until we have the correct formula. Unfortunately, with the NQF implementation still progressing, and an application for an Equal Remuneration Order (ERO), that proposes substantial wage increases, currently before the Fair Work Commission, external influences such as these must also be factored in.

Every wage increase brings with it additional costs by way of on costs for employers. While there are many factors that will exert upward pressure on families' affordability, the ERO would seem to be the singular factor whose impact on the delivery of high quality early childhood education to Australia's children, appears to be grossly underestimated.

If successful, the ERO claim would see a Level 3.1 employee paid \$28.84 per hour or \$56,987 per year (currently commencing at \$19.64 per hour) and a Level 6.1 employee paid \$49.29 per hour (currently commencing at \$27.89 per hour) or \$97,397 per year. It will be added to by on-cost for components such as superannuation, work cover, payroll tax, and more.

In addition to costs compounding from NQF implementation, whatever the extent of the ERO case from FWC will be, it will invariably be passed on to families, these consequences will affect, as the first casualties, vulnerable families and children at risk who have the least capacity to pay. As a result, families will be caught in the squeeze caused by erosion of subsidies and rising fees.

It should therefore be abundantly clear that the magnitude of the ERO claim will have an inevitable and severe impact on families.

ACA does not believe that existing affordability and accessibility issues can be resolved within the existing funding envelope unless savings are made elsewhere at the expense of other initiatives.

ACA is concerned that any model generated in haste, and adapted by government, will again fail to deliver and additional “add-on” programs will be required, with budget implications, in the near future.

Families Using Mainstream Services – Improving the Accessibility, Flexibility and Affordability

Draft Recommendation 12.4

- The proposal is that a means tested subsidy rate between 90% and 30% of the deemed cost of care for hours of care for which the provider charges.
- The deemed cost (to be determined annually) will allow for differences of supply by age of child and type of care. PC for simplicity has estimated LDC deemed rate \$7.53; FDC and Nannies \$6.84 and OSHC \$6.37
- Parents are to meet an activity test of 24 hours of work, training or study per fortnight or are explicitly exempt from the criteria.
- The subsidy will be paid directly to the service provider

ACA is concerned that the proposed “deemed” rate that will determine the amount of subsidy paid to each family, is not indicative of the true cost of providing ECEC throughout Australia.

ACA understands that this will work in a similar manner to the medical system where government will determine a rate that they deem the true cost of provision of ECEC for an hour. The draft report states that this will then be worked on the hours the service charges. ACA believes that operational hours must determine the funding for families not the hours of attendance as services are required to open and staff the service to cater for children from early morning starts to late evening finishes (e.g. in many areas 12 hours per day).

The Care for Kids website² indicates that the average cost per day is \$87.08; however, further information on their site indicates that the average cost per day in Melbourne (3000) is \$113.78 and the average cost for the Sydney CBD is \$142. These costs per day will be pushed upwards if the 2016 changes to child to educator ratios are introduced and following the results of the current application for an ERO are handed down by the Fair Work Commission (refer to further information provided in response to recommendation 12.2).

² Careforkids.com.au 2014, *Cost of Childcare*, viewed 20 August 2014, <<http://www.careforkids.com.au/articlesv2/article.asp?ID=77>>.

If services charge above the deemed rate, families without subsidy will meet the percentage gap below the deemed cost and the full amount over and above this cost. This will generate significant hardship to families, as the cost of provision of care is extremely specific to the demographics of each jurisdiction and regions within jurisdictions. Deemed cost has been estimated in the draft report at \$75.30 per day, which ACA considers to be a cost of provision at the lower end of the spectrum.

ACA believes a deemed overall rate gives an unfair advantage to services who are exempt from income tax, payroll tax and who pay peppercorn rents.

For simplicity, the draft report has assumed a deemed cost equivalent to the median price charged for ECEC services, according to the government's administration data, in long day care (LDC), Family Day Care (FDC) and Out of School Hours Care (OSHC). In 2013-14, these rates are estimated to be \$7.53 per hour in LDCs, \$6.84 per hour in FDCs (this rate is also applied to approved nannies), and \$6.37 per hour in OSHC.

The draft report also states that it seems reasonable to (eventually) have deemed cost estimates that vary with the age of child and type of ECEC service provided (for example, whether it includes an educative teacher-led program or caters to additional needs), as these appear to be important influences of the cost of ECEC provision³. This is a welcome acknowledgement of the considerable variation in costs across ages profiles within ECEC services, noting that it is not uncommon for services to offset the considerably higher costs of delivering ECEC for 0-2 year olds against the relatively lower costs of delivering ECEC for 3-5 year olds (see Appendix 1).

Respondents in the ACA Parent Survey August 2014⁴ indicated that if costs were to increase for the provision of ECEC for their children (see Figure 3 and 4) it would have a substantial effect on workforce participation of many parents.

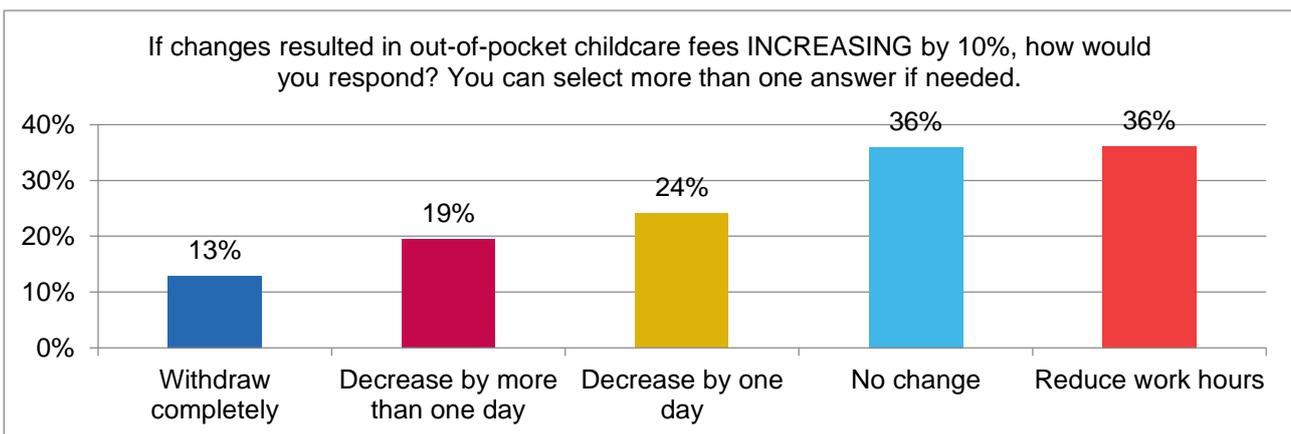


Figure 3. Impact of increase in fees

³ The Productivity Commission 2014, *Productivity Commission Draft Report into Childcare and Early Childhood Learning*, <http://pc.gov.au/data/assets/pdf_file/0008/138383/childcare-draft.pdf>.

⁴ Australian Childcare Alliance 2014, *Australian Childcare Alliance Member Survey August 2014*.

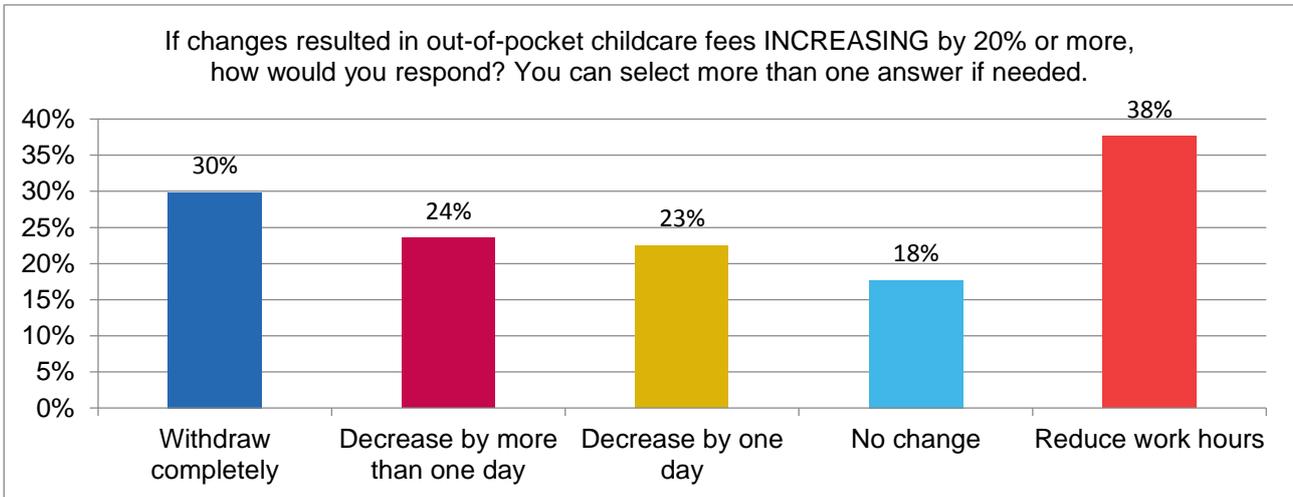


Figure 4. Impact of increase in fees

Deemed Rate

ACA supports a differential subsidy for babies because of the high cost of service delivery and therefore the need for a higher fee for families. With ratios regulated to raise in 2016 for the 2 – 3 age groups (see Appendix 2) this will also have a cost effect on families and services. ACA therefore support subsidies for the 0 – 35 months age groups to be substantially higher than that for the 36 months – 5 age groups.

Results from the ACA Member Survey August 2014⁵ indicated that demand for babies is diminishing in demographic areas outside of inner city. There is higher demand for toddlers, which is causing a problem of intake as the 0 – 2 years must make provision for a separate cot room. A case study regarding the higher cost of care for babies is provided in Appendix 3.

ACA recommends that there is some flexibility on premises requirements for the 15 months to 2-year-old children, who generally sleep in stretcher beds rather than a cot (at the present time, Queensland operates under this system but it will be negated on 1 January 2019).

Funding for children with additional needs should be added into the deemed amount and ACA recommends a simplification of the application process as it currently complicated, providing a disincentive for applicants. ACA recommends that the subsidy to support inclusion remains with the child to reduce red tape and be mobile, enabling it to move between approved services.

ACA supports additional funding for services employing an ECT for educational programs. However, ACA has concerns about the introduction of two levels of ECEC being “care only” and “education and care”.

⁵ Australian Childcare Alliance 2014, *Australian Childcare Alliance Member Survey August 2014*.

ACA believes that the proposed deemed funding system - particularly with the deemed rate at a \$75.35 for a 10-hour day - has a strong propensity to cause hardship to many families as per Goodstart cost table published in *The Australian*⁶.

The PC's technical supplement on the modelling included in the draft report states that data about childcare fees are for the 2011-12 year and are based on unpublished childcare fee data supplied by the Department of Education about childcare use, price and location. This data would be out of date and would not include the current and ongoing cost impacts of the NQF rollout or other inflationary factors and is not relevant to the current cost of childcare for calculating the deemed cost.

Striking a fair and equitable deemed rate is a considerable challenge. Variances in demographics, services unnecessarily over staffing and paying unrealistically high above award wages should all be measured.

Additionally where ACA sees unfairness in equating a deemed fee is the chasm between *private* and *not for profit* sectors. *Privately owned* services do not have the benefit of peppercorn rents, gaming and other grants, exemption from FBT, Income Tax and Payroll Tax. ACA will disagree with a set deemed fee that ignores the subsidies and allowances afforded to the not for profit sector. Families cannot be discriminated against because of their choice of care provider.

ACA also views the PC Draft Report proposed deemed rate for private LDC and not for profit LDC as inequitable considering the additional expenses incurred by the private LDC sector. ACA finds it incomprehensible that the fees charged by the not-for-profit sector to families are similar and in some cases much higher than those charged by the private sector. As an example, the following figures have been sourced from the Care for Kids website, based on five services within 4km of each other in the north west of Sydney. These figures demonstrate that some community-based services charge more than privately owned services. This is an example of a common occurrence throughout Australia.

Service	Daily Fee		
	0-2s	2-3s	3-5s
First Grammar (privately owned)	\$97	\$97	\$86
Little Amigos (privately owned)	\$108	\$102	\$94
Norwest Child Care Centre (privately owned)	\$110	\$103	\$100
Giggles (privately owned)	\$104	\$98	\$93
KU Village Green Bella Vista (not for profit service)	\$104	\$101	\$98

Table 1. Cost comparison of different service types

ACA recommends that the deemed cost for nannies – providing care only – should be far less than that of LDC as they do not have the infrastructure costs associated with centre based early childhood education, nor the educational programming requirements.

⁶ Karvelas, P 2014, City childcare set to cost more, *The Australian*, 5 August, <<http://www.theaustralian.com.au/national-affairs/city-childcare-set-to-cost-more/story-fn59niix-1227013331355>>.

ACA believes that the proposal to open the funding envelope to this model of care is inappropriate as it permits an extremely inefficient cost model of “care” to absorb funding within the system. This is counter intuitive to the need to improve the overall allocation of funding.

ACA contests the draft report wherein the difference in the proposed deemed rate between the nanny model of care and the much more expensive provision for LDC model of education and care, is just 69 cents less per hour.

Productivity Commission Research Report 2010⁷ states that there are concerns about the extent to which the treatment of tax concessions and subsidies in government funding and procurement decision-making violates the principle of competitive neutrality. ACA requests that the violation of competitive neutrality be a serious consideration of the Productivity Commission in determining the deemed rate.

Demographics

It is unclear how variations in deemed rates on demographics would be developed. Australia has many influencing factors, including:

- cost of service delivery variations;
- variations between and within different inner city settings;
- costs of living;
- climatic variations that impact cost structures (i.e. Northern Territory/North Queensland – cyclone rated structures);
- higher construction costs in rural and remote areas and variations in land pricing;
- remote considerations, for example Northern Western Australia (above 28th parallel) – mining towns – high rents, land prices and building cost; and
- Employment of educators – wages vary according to availability of staff in demographic areas and other industrial factors. For example employers in NSW are required by law to continue paying their staff (employed before 1 July 2014) at the higher rates required before the national award rates commenced.

The PC has put forward four models:

1. \$60,000 \$300,000.00 taper (90% to 30%)
2. \$60,000 \$130,000 \$300,000 step taper (90% - %30%)
3. \$60,000 \$130,000 linear (90% - 0%) Declines rapidly
4. \$60,000 \$130,000 \$300,000 linear (90% - 0%)Declines rapidly

The PC prefers scenario 1. Additional cost above the current “bucket of funds” is \$0.3 billion per year. Expected to increase employment of 46 700 mothers.

In aggregate, higher average rates of assistance are associated with slightly lower out-of-pocket costs for families under the preferred scenario 1. Under alternative settings (scenarios 2 and 4), the increase in ECEC usage and lower average assistance rates mean that out-of-pocket costs are similar to current levels, or higher.

⁷ The Productivity Commission 2010, *Productivity Commission Research Report Contribution of the Not-for-Profit Sector*, http://www.pc.gov.au/data/assets/pdf_file/0003/94548/not-for-profit-report.pdf>.

ACA is not able to determine the exact benefit to families on any of the above models however we must rely on the only costing calculations available and published in *The Australian*⁸. Their recent article assessed that groups only in the \$140,000 – \$160,000 range would have a reduction from current out-of-pocket expenses.

Should these calculations be correct ACA cannot support a funding model that will disadvantage the majority of families and in particular low to middle income families. The strength of these funding models will be determined by the actual hourly-deemed amount, which ACA believes that current assessment is low.

Information gathered from ACA Parent Survey August 2014 on the proposed single means tested payment indicated that the majority of respondents do not support families on more than \$300,000 receiving any subsidy (see figure 5).⁹The majority of respondents also indicated that the proposed daily rate is not a reasonable reflection of the cost of care in their area (see figure 6).

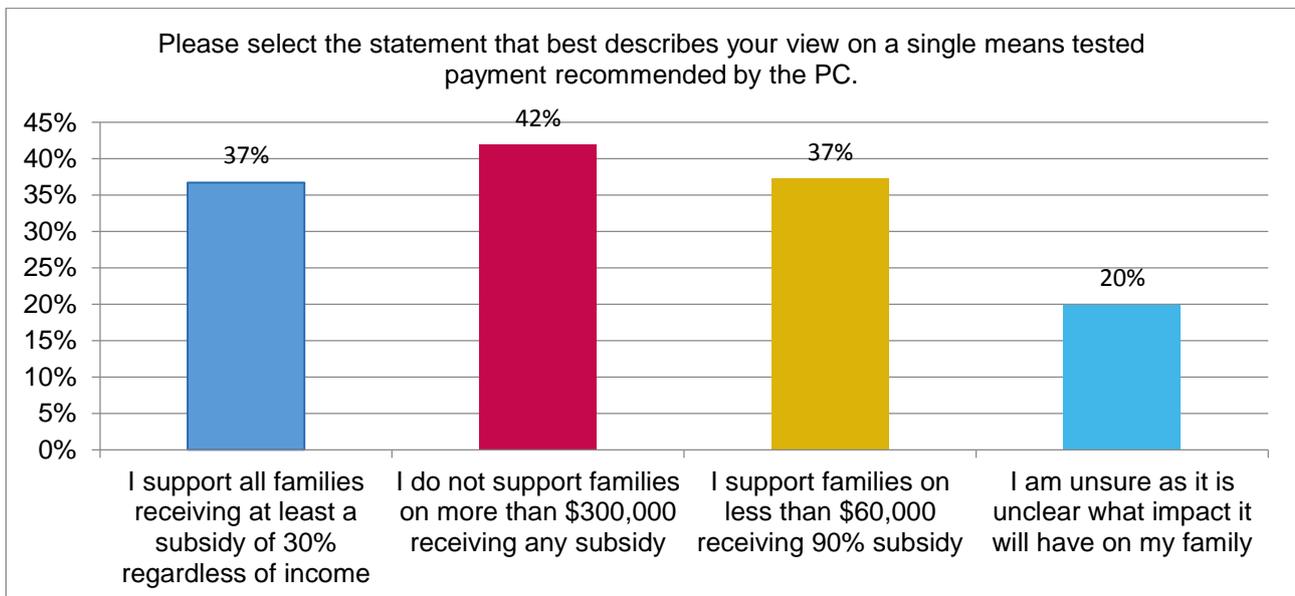


Figure 5. Impact of CCR freeze on families

⁸ Karvelas, P 2014, City childcare set to cost more, *The Australian*, 5 August, <<http://www.theaustralian.com.au/national-affairs/city-childcare-set-to-cost-more/story-fn59niix-1227013331355>>.

⁹ Australian Childcare Alliance 2014, *Australian Childcare Alliance Parent Survey August 2014*, <www.childcareqld.org.au>.

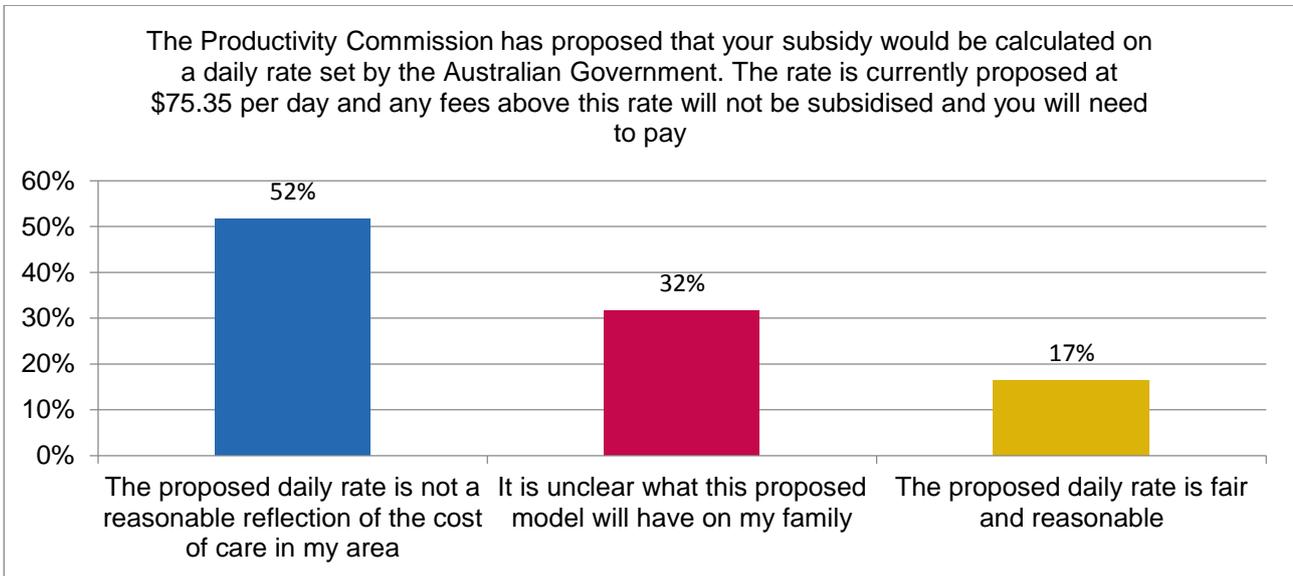


Figure 6. View on proposed deemed rate

Draft Finding 12.1

It is unclear that the proposed changes to the Paid Parent Leave scheme would bring significant additional benefits to the broader community beyond those occurring under the existing scheme. There may be merit therefore, in diverting some PC 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:

- *assist with the cost of ECEC services that satisfy requirements of the National Quality Framework*
- *provide a means tested subsidy rate between 90 per cent and 30 per cent of the deemed cost of care for hours of care for which the provider charges*
- *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*
- *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*

ACA supports a 24-hour work test per fortnight for families, as this is a reduction on the 15 hours per week currently required. However, 24 hours per fortnight will cause hardship for many part-time and casual workers. It is important to note that currently all families can access 24 hours a week of subsidised ECEC without the need to meet the activity test.

ACA is concerned that parents who are studying may not attend a place of study for 24 hours per fortnight. It will become increasingly difficult to assess the true time for study in many instances as the range of online and blended training delivery options is unrelated to the amount of effort.

ACA is also concerned that the measurement of the test should be over a longer period than a fortnight. For example, families in high tourism communities working in the cleaning and food industries are on call much of the time but their work depends on the number of bookings received by their workplace. This type of employment applies across many industries and ACA believes that the work test must be flexible to ensure that children are not “in and out” of care and a short term, for example, fortnightly basis.

ACA is opposed to suggestions in the draft report that allows no access to any subsidy for children of parents who do not meet the activity test.

This approach fails to value the child and parents who are not in the paid workforce. Many parents who are not in the paid workforce, play a vital role in their communities through volunteering, minding the sick children of working parents, read and assist in other ways in schools, on excursions, sport days, assist with the elderly and more. Others have various other complexities, including personal challenges that deem them unemployable.

If the Australian Government is committed to increasing the proportion of children in their year before school attending a preschool program (regardless of setting) it is critical that as many children as possible access ECEC. It has a direct impact on school readiness and longer-term cognitive and socio-emotional impacts for these children.

Children should not be discriminated against, devalued or marginalised. Research has proven that a strong early education and care program plays a pivotal role in preparing children through their early years for their formal school years. Researchers have also revealed the importance of infants from birth to three being exposed to quality and caring experiences at a time when their brain development is at its intensity – we will fail our children if parents who need care and don’t receive subsidy are forced to place these infants into unregulated care or worse still leave them to fend for themselves during times of duress.

Children are expected to be at a predetermined point of learning and ability to learn when they commence school and this escalates to year three when they must sit the National Assessment Program – Literacy and Numeracy (NAPLAN) test.

Considering children in their fourth year of life is too late as we know that from birth to five patterns and pathways to a love of learning and self-actualisation are set. For the children who may be failed by societal rules or culture during their early years, very often their future is set and it can be difficult to educate and respond to barriers for these children to achieve educational success.

All children must have a “fair go” and ACA believes strongly that the current 24 hours of care be carried into the new model of subsidy to ensure the wellbeing of all children. The Priority of Access Guidelines could be strengthened to ensure that working parents are not disadvantaged.

The draft report states that around 20 per cent of children starting school are considered to be developmentally vulnerable in at least one of the five developmental areas assessed under the Australian Early Development Census (AEDC – formerly AEDI).

If children are denied access to an ECEC program, it is highly probable that this figure will rise exponentially. There is an expectation for children to educationally move on quickly once they commence formal schooling. This then not only causes a problem for child/children that are not up to par with peers, but also with teachers trying to prepare the class. There is considerable documentation about behavioural problems in the first year of formal schooling and this could quite easily be a contributing factor.

Take for example the evidence from *Impact of Government Policies on children's health, development and general wellbeing: Family Impact Information*¹⁰. This reports that 97, 000 children from low income families could be displaced if subsidies were withheld.

Children's health, development and wellbeing.

There is an established body of evidence to show that what happens in the early years of a child's life has a profound impact on their future health, development and wellbeing. There is also a growing consensus that the effects of experiences in later childhood have been underestimated.

Children who have a poor start in life are more likely to develop learning, behavioural or emotional problems which may have far-reaching consequences throughout their lives and in turn, the lives of their children. These problems accrue to the whole society in the form of increased social inequality, reduced productivity and high costs associated with entrenched intergenerational disadvantage.

Although family members have primary responsibility for, and influence on, the health, wellbeing and development of children, the community, businesses and the broader environment in which children live, and the supports provided to families, are also influential. For this reason, a range of factors that both directly and indirectly affect child health, development and wellbeing are discussed in this information sheet: physical health (including maternal health); quality of parenting; child care; education; housing; neighbourhoods; and access to services within the community are all considered important.

Childcare may be one of many factors listed above but evidence is readily available to support an ECEC program for children who experience any of the above factors.

Figure 7. Children's health, development and wellbeing

Respondents to the ACA Parent Survey August 2014¹¹ commented on the difficulty they have in returning to work, the financial disincentives and their inability to find part time work to meet the work/family balance.

¹⁰ Department of Prime Minister and Cabinet 2009, *Impacts of government policy on children's health, development and general wellbeing*. <http://www.dpmc.gov.au/guidelines/familyimpactstatements/docs/childrens_health_development.pdf>.

¹¹ Australian Childcare Alliance 2014, *Australian Childcare Alliance Parent Survey August 2014*, <www.childcareqld.org.au>.

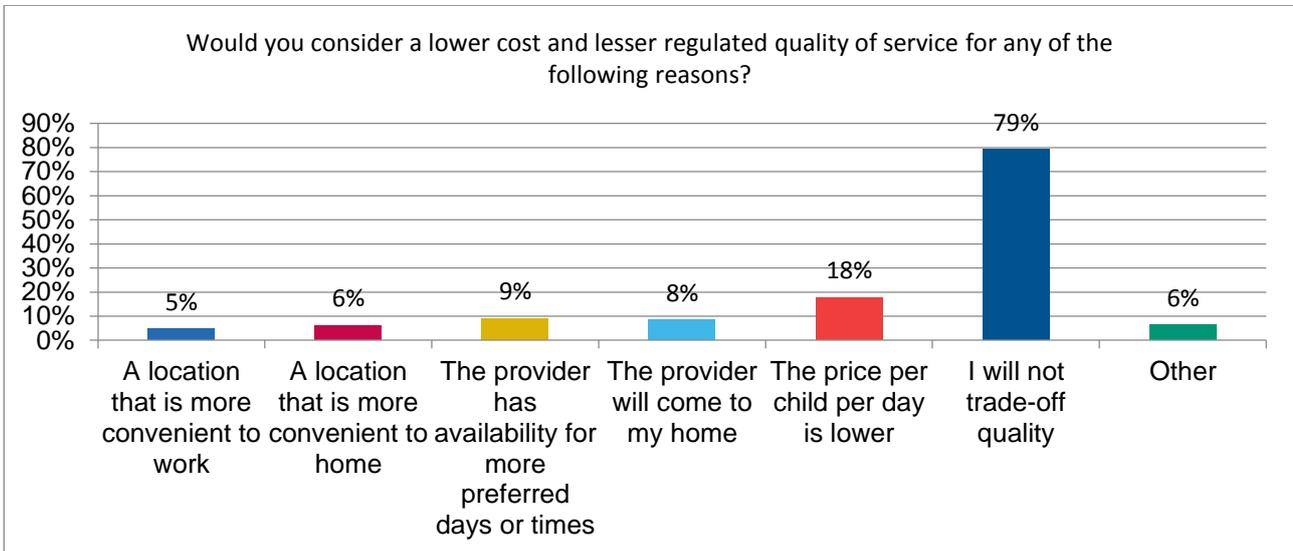


Figure 8. Reasons for considering a low cost service

In addition, parents expressed their concern.

“My child would be disadvantaged and would not be prepared with the skills needed prior to commencing school. My child would have limited opportunity to engage in socialisation activities with other children of a similar age.”

“This would not affect my child but I do not support the proposed changes. I/we feel that children of working parents will receive an unfair advantage in gaining school readiness for their children.”

“Hopefully this won’t affect my children.”

“I do think that if kids don’t go to pre-school then they are at a HUGE disadvantage with starting Kindergarten. Some parents may not be able to afford care with no subsidy and it will hurt the children.”

“Teachers expect a lot from kids just starting school, they would have a harder job if half kids attended care and the other half didn’t.”

“This would not affect us, but I do think that parents who are not working should stay home with their kids or pay full daycare fees.”

“I find it unfair that multiple childcare places are taken by children who have parents at home not working.”

“We are both working parents and have to pay more in child care fees. How is this fair, when all children deserve the same rights to education?”

Figure 9. Comments from parents

The AMP.NATSEM Income and Wealth Report: Child care affordability in Australia¹² demonstrates the difficulty of single parents returning to the workforce:

Single parents

A low income single parent going back to work part-time (20 hours) would lose about 45 per cent of her pay to income tax, loss of Government benefits and covering the cost of child care, meaning she would keep just \$9.09 of her \$16.37 hourly wage (Table 5). If she went back to work full-time (40 hours) she would lose almost 62 per cent of her pay, meaning she would keep just \$6.25 an hour. A single low-income mother working 20 hours a week, who decided to increase her hours to full-time (40 hours), would lose around 80 per cent of her pay for those extra 20 hours. Her hourly rate for these extra 20 hours would be just \$3.44.

A single parent on average wages would retain about \$13.54 an hour if going back to work part-time (20 hours) and \$10.20 an hour if she returned to full-time work (40 hours).

This problem is for government to work out and it is quite obvious that the fault is not with the parent as they would not survive going back to work at those reduced hourly rates.

Figure 10. AMP.NATSEM Income and Wealth Report: Child care affordability in Australia

See Figure 11 below for the ACA Parent Survey August 2014¹³ result on what parents view as barriers to workforce participation in relation to childcare. 84 per cent indicated that the cost of childcare is a barrier to them going back to work.

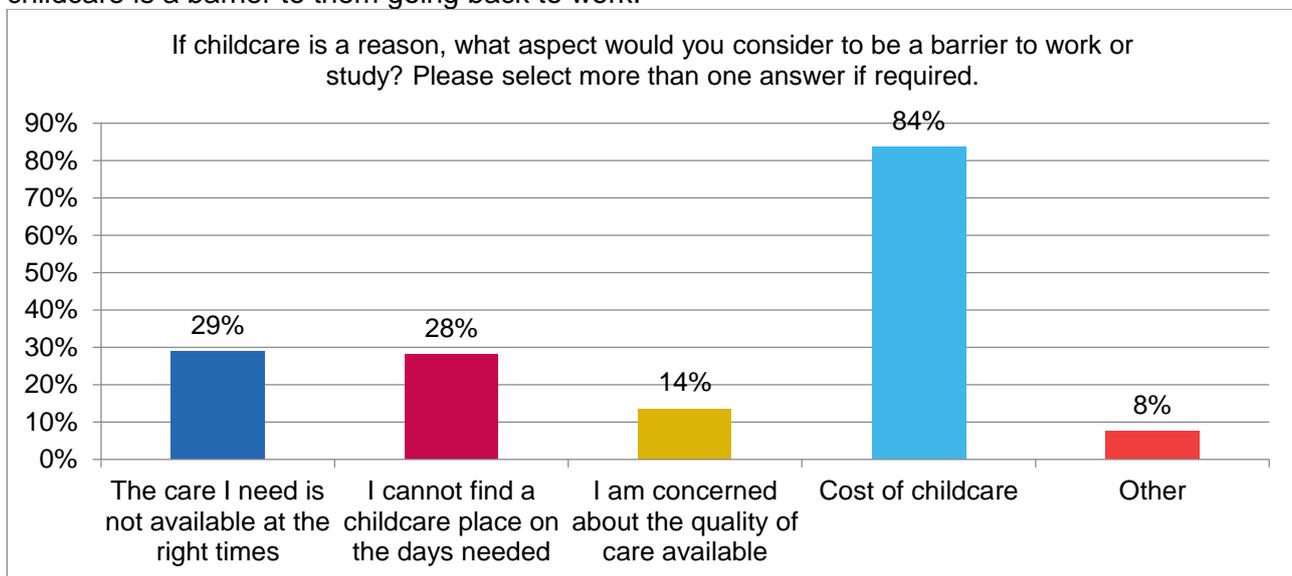


Figure 11. Childcare barrier to work and study

¹² AMP.NATSEM 2014. *Child care strain on family budgets: women lose 60 per cent of their pay says AMP.NATSEM Report.* Available from: <http://media.amp.com.au/phoenix.zhtml?c=219073&p=irol-reportsNATSEM&nyo=0>

¹³ Australian Childcare Alliance 2014, *Australian Childcare Alliance Parent Survey August 2014.*

Information Request 12.1

The Commission seeks views on the effect on families of having a per child subsidy rate that is not adjusted for the number of children in a family accessing ECEC services.

Respondents to the ACA Parent Survey August 2014¹⁴ (see Figure 12) indicated that they would experience a considerable impact if the per child subsidy rate is not adjusted for the number of children in a family accessing services.

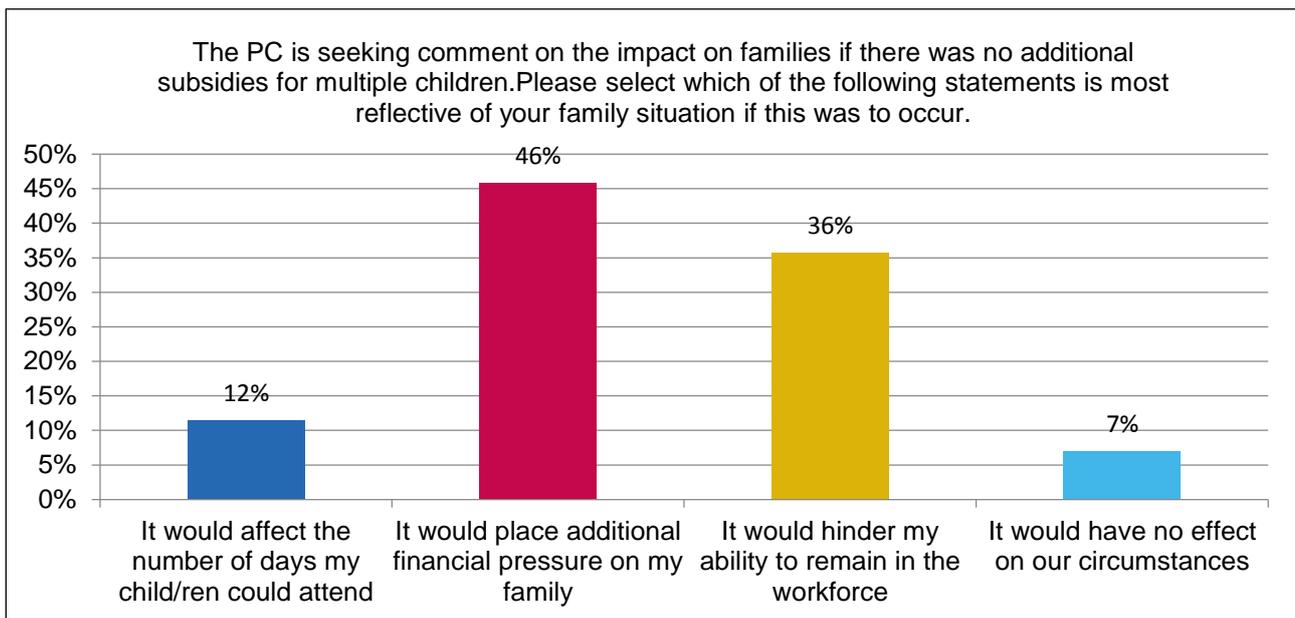


Figure 12. Impact on families if there was no additional subsidies

PC suggests that:

- Government pay the assessed subsidy directly to the service provider of the parents' choice on receipt of the record of care provided.

ACA supports the subsidy being paid directly to the service provider.

PC suggests full deemed cost of care for:

- Children at risk of abuse or neglect

These children can access up to 100 hours a fortnight, regardless of whether the families meet an activity test. Support for initially 13 weeks then, after assessment by the relevant state or territory department and approval by the Department of Human Services, for up to 26 weeks.

¹⁴ Australian Childcare Alliance 2014, *Australian Childcare Alliance Parent Survey August 2014*, <www.childcareqld.org.au>.

ECEC providers must contact the state or territory department with responsibility for child protection within one week of providing a service to any child on whose behalf they apply for the 'at risk' Special Early Care and Learning Subsidy.

Continuation of access to the subsidy is to be based on assessment by this department, assignment of a case worker, and approval by the Department of Human Services. The Australian Government should review the adequacy of the program budget to meet reasonable need annually.

ACA believes that should the proposal of only meeting the cost of the full deemed rate be adopted, a gap payment will be created for the families in question with the likely outcome being that these children are withdrawn from care at a time when a safe, secure and stable environment is essential to their wellbeing. Current arrangements allow for children at risk of abuse or neglect to access care with the full fee being met by Special CCB.

ACA is concerned for the children who are not deemed "at risk" by child protection but have still come to the notice of child protection or other prominent citizens (e.g. school principals, doctors, Early Childhood Teachers). ACA recommends that there be some consideration for these particular children before they are "labelled" where early intervention could prevent an incident or hopefully can assist to turn their situation around.

The suggestion in the draft report indicates that there will be substantial paperwork and procedures to adhere to for children labelled "at risk". While we understand the necessity for a through process all care must be taken to ensure that the continuity of attendance of the child is not threatened during this period.

*Children with a diagnosed disability (if funding is not constricted) ***

ACA believes that the current funding for children with a diagnosed disability is insufficient for the service and substantially lower than the actual cost of employing a support worker. Additional funding is necessary to support the educators. Services that chose to include children with additional needs are currently faced with significant financial burden.

Accessing appropriate ECEC services can be a great challenge for families with children with additional needs, particularly for children with high disability support needs or challenging medical conditions. Many ECEC services will not accept these children because they feel inadequately supported and untrained to do so. Alternatively, the child is enrolled, but the family withdraws the child as they do not feel their child's needs are being met.

Barriers to accessing ECEC include; initial access to ECEC services, lack of appropriately trained staff, inability to develop and implement an inclusive, educational program to meet their child's needs, un-supportive childcare environment hours of access (some ECEC services only allow attendance with an additional support worker available due to the high costs).

The Inclusion and Professional Support Program (IPSP) needs not only additional resourcing, but the manner in which it supports centres needs to be reviewed. Many services prefer not to enrol these children as the paperwork for support is too arduous and time consuming and the practical support provided to services to actually include children is negligible.

Minimal professional development is offered for these educators. The concept of “supporting access” needs to be clarified and care must be taken that this does not mean purely funding support for an “extra pair of hands”, but must also include funding for staff across the service to access training to effectively include the child, and provide for the child’s additional educational needs.

Grants for additional equipment or service modification are useful, but one-off training grants do not necessarily benefit the child, given the high turnover across the sector; training followed by ongoing mentoring and support has been proven to be far more effective¹⁵, this capacity building should be evidence and research based.

ECEC services should be accountable for the financial support provided, and provide an individual inclusion and education plan for each child. The funding should be provided to the service, in order to avoid conflicts of interest with families receiving direct benefits for ECEC attendance.

Funding support for children with a diagnosed disability should commence immediate the day the child starts at the service, based on the child’s needs. The notion of waiting for an ‘inclusion assessment’ sets the inclusion up for failure and puts additional pressure on the service during the crucial settling in period for the child.

Funding applications need to be as simple and efficient as possible. The concept of a ‘deemed’ cost of care is problematic, as even children with the same diagnosis may require a different level of support – eg a child with cerebral palsy who is able to move around the service, vs one who requires tube feeding and constant physical assistance.

Please see Appendix 4 to see financial models from a service engaged with several children with disabilities.

Draft Recommendation 12.5

The Australian Government should establish a capped ‘viability assistance’ program to assist ECEC providers in rural, regional and remote areas to continue to operate under child-based funding arrangements (the Early Care and Learning Subsidy and the Special Early Care and Learning Subsidy), should demand temporarily fall below that needed to be financially viable. This funding would be:

- accessed for a maximum of 3 in every 7 years, with services assessed for viability once they have received 2 years of support
- prioritised to centre-based and mobile services.

Limiting viability assistance funding to three years in every seven is highly problematic. Regional areas suffer periods of economic downturn for a range of reasons, not just natural disaster related (which appears to be the genesis of this recommendation, as it appears to mirror approach to Exceptional Circumstances drought assistance).

¹⁵ STaR Association, 2014, Submission in response to Productivity Commission draft report into Childcare and Early Childhood Learning.

Attached to this submission is letters from services that will be forced to close should the three in every seven years approach to funding be introduced (see Appendix 5).

Draft Recommendation 12.3

The Australian Government should exempt non-parent primary carers of children, and jobless families where the parents are receiving a Disability Support Pension or a Carer Payment from the activity test. These families should still be subject to the means test applied to other families.

ACA understands that carers (e.g. grandparents and those on a disability support pension), would face means testing arrangements.

Currently they are fully subsidised for ECEC but under this scheme they will pay the gap between their means tested income subsidy allocation, plus any fee higher than the “deemed” amount plus in some cases have a reduction in subsidy because of means testing. This is unfair and offensive when grandparents are the primary carers of children. To be the primary carer signifies that the family has experienced trauma. Grandparents can be young (30 – 40), middle aged or elderly and whatever the situation they should receive ultimate assistance for the care and wellbeing of their grandchildren. Means testing these people who are stepping up to meet a cruel life challenge are saving the government funds in foster care and other payments let alone loving these children and providing them with an early education and care program and a future whereby they can become responsible citizens. Will foster care families also be means tested and have to pay the gap fees? Please see attached letters re Grandparent Primary carers.

ACA believes that for the challenging work that grandparents are doing for their grandchildren that the cost to government is small to fund them in full to allow them to provide the children with some stability and themselves with the ability to cope.

ACA has attached letters from a grandparent and a service expressing their concern regarding this recommendation (see appendices 6 and 7).

Draft 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 the mainstream ECEC funding on the same basis as children without a disability and up to a 100 per cent subsidy for the deemed cost of additional ECEC services, funded from the Special Early Care and Learning Subsidy
- block funded support to ECEC providers to build the capacity to cater for the needs of these children, funded through the Inclusion Support Program.

The relevant Government agency should work with the National Disability Insurance Agency and specialist providers for those children whose disability falls outside the National Disability Insurance Scheme, to establish a deemed cost model that will reflect reasonable costs by age of child and the nature and extent of their disability. Based on an assessment of the number of children in need of this service, and the costs of providing reasonable ECEC services, the Australian Government should review the adequacy of the program budget to meet reasonable need annually.

ACA supports this recommendation.

Block funded support to ECEC providers (similar to the IPSP funding) must be more aligned to the actual cost of provision of care as services are currently struggling under the burden of caring for children with disabilities through a lowly subsidised scheme.

ACA has attached the views of a member on the unsustainable nature of the existing system (see Appendix 8).

In addition, ACA has included additional documentation detailing the costs of provision of care under the IPSP funding model (see Appendix 9).

Further information is also provided in ACA response to recommendation 12.1 in this submission.

Draft 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.

ACA anticipates a huge impost to government should this occur.

This would enable stand-alone kindergartens/preschools to access existing subsidies from the Australian Government for shorter hours in preference to funding through their own state/territory governments.

This would then cause harsher access parameters for families to be enforced to ensure funding remains within budget. There could be considerable unintended consequences for government funding should this occur. LDC services are governed by the operating hours by the Industrial Award as all times outside of that award 6:00 a.m. – 6:30 p.m. attract overtime loading.

The two most common awards in our sector (the Children's Services Award 2010 and Educational Services (Teachers) Award 2010) stipulate the maximum number of hours a staff member can work per day; non-contact time (eg 2 hours per week programming); meal breaks and rest pauses; ordinary hours of work (6:30am – 6:30pm) etc. This would seriously inhibit the ability of services to offer flexible care, both in terms of cost (overtime) and conditions (having the pool of staff necessary to ensure contact time requirements are not breached).

ACA does not support this recommendation.

Draft Recommendation 8.4

The Australian Government should remove caps on the number of occasional care places.

ACA supports this recommendation with proviso that occasional care services operate in the true meaning of the word and do not become full LDC services thus removing the ability for families to access care on a casual basis. This would then ensure that accessibility for urgent care and the spasmodic need for education and care was met.

Information Request 12.2

The Commission seeks feedback on the impact of adopting the income of the second earner, family income, or some combination as the basis for the means test. If a combination is preferred, the Commission seeks information on how this should be applied and what it would mean for effective marginal tax rates facing most second income earners in a family.

ACA believes that decisions about workforce participation for second earners are usually based largely on financial incentives. Apart from the amount of earnings (hourly wage rate and number of hours worked), other factors influencing the second earner's workforce participation include:

- the amount of tax payable
- impact of earnings on receipt of government payments and allowances
- loss of various concessions (such as the Health Care Card)
- costs of work (such as transport costs or child care).

ACA believes consideration must be given to assist with the second income. This could include a subsidy percentage or means testing only after the second parent's income reaches a certain amount (e.g. \$50,000) or a tax advantage for working mothers. As stated in CIS Snapshot 14¹⁶:

"The key problem is the multiplicity of payments which, when they overlap, causes complexity for families. But more important are the perverse incentives caused by the overlap of payments and their interaction with the tax system. This creates disincentives to work for secondary earners in couple families, most of whom are women."

As childcare practitioners, we witness the difficulties of a mother returning to the workforce after a break in workforce participation. It is more difficult for those who have had several years break and also for those with more than one child.

The costs and physical challenge of travelling to the workplace, booking children into an early education and care service and preparing self for work is compounded by shortage of finances. Mothers without a car are particularly disadvantaged as they coordinate buses for drop off of children and then to the workplace. We have witnessed others who struggle to meet the costs of returning to work in the first weeks prior to receiving their wages. For many the logistics are too difficult to overcome.

Positions for the unskilled are often casual and low paid and mothers have reported that with the loss of benefits and the cost of being in the workforce, including their child care fees, sees them no better off and in some cases worse off financially.

Not all mothers returning to the workforce experience these difficulties as they have support from partners and extended family and are financially stable.

¹⁶ Jha, T 2014, *Complex family payments: why it costs the village to raise a child*, The Centre for Independent Studies, <<https://www.cis.org.au/images/stories/policy-monographs/pm141-snapshot.pdf>>.

ACA believes that those who wish to work and are hindered by life's challenges need additional assistance and this could be, if the second income earner total income was less than a determined amount, taxation assistance could be provided.

Families who are in the workforce are feeling pressured by the combined impact of losing Centrelink payments, taxation, and the costs of childcare. Respondents to the ACA Member Survey August 2014 revealed that full time families have been reducing days (See Figure 13) and significant vacancies exist across services on Monday and Friday (see Figure 17).

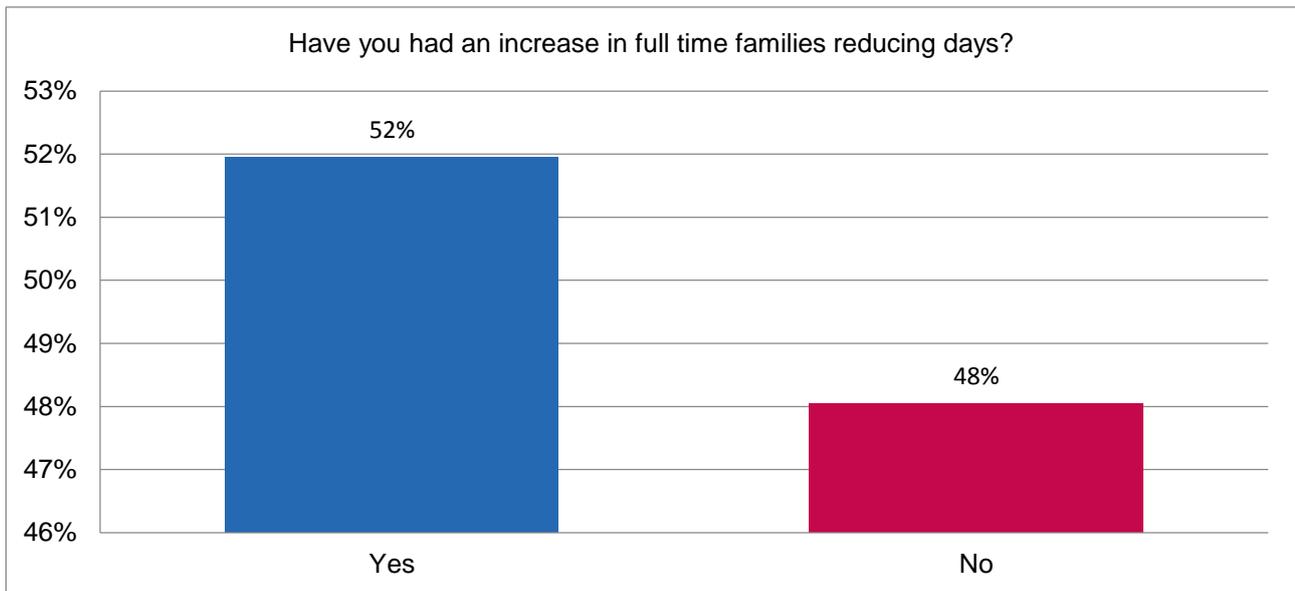


Figure 13. Families reducing days

Information Request 9.1

The Commission seeks feedback on regulatory barriers (such as those contained within A New Tax System (Family Assistance) Act 1999), which may prevent services from varying their fees according to the cost of service provision to children with differing needs.

Anecdotal evidence from members indicates that an increasing number of parents participating in the workforce three days or less. Many tell us that it is not advantageous to work additional days and pay for ECEC for their children.

The *AMP NATSEM Income and Wealth Report on Childcare Affordability in Australia June 2014*¹⁷ reveal the reason why parents are making these statements.

¹⁷ AMP.NATSEM 2014. *Child care strain on family budgets: women lose 60 per cent of their pay says AMP.NATSEM Report*, <<http://media.amp.com.au/phoenix.zhtml?c=219073&p=irol-reportsNATSEM&nyo=0>>.

This is not a matter that ACA can assist with however we believe that government could make some consideration for the families identified if female workforce participation is to be addressed and encouraged.

The report states that:

“Reducing workforce participation barriers, particularly for women, will be important for helping offset the negative economic impacts of an ageing population. The level of support offered to parents returning to work is critical, as well as the ongoing affordability of child care.

Addressing child care affordability is not just a concern for parents and government—it is a consideration for all of us.

Demand for affordable and accessible child care will only increase. We, as a community, need to take a holistic approach to ensure we address this growing need and support working parents.”

Information Request 12.3

The Commission seeks information on who is using ECEC services on a regular basis but working below the current activity test of 15 hours per week, or not actively looking for work or undertaking work, study or training. Views are sought on the activity test that should be applied, how it could be implemented simply, and whether some means tested access to subsidised care that is not subject to an activity test should be retained. If some subsidised care without an activity test is desirable, for how many hours a week should it be available, what should the eligibility criteria be, and what are the benefits to the community?

ACA members advise that families, where a parent (usually the mother) is working less than 15 hours per week, include part time school teachers (e.g. two days per week = 10 hours); casual cleaners – irregular hours; casual wait staff; parents who work from home; casual book keepers and many other part-time positions.

Please see information provided in response to Recommendation 12.1.

Information Request 12.4

The Commission seeks information on the best approach to setting and updating the deemed cost of ECEC services. In addition, information on the cost premiums of providing services in different locations, to different ages, and in meeting different types of additional needs is sought.

As stated in response to Draft Recommendation 12.4, ACA has significant concerns that the proposed ‘one size fits all’ deemed cost does not consider the variability in reasonable costs associated with:

- NQF inconsistency (current variations in requirements associated with qualifications and ratios between jurisdictions)
- Higher costs of living in capital cities and some regional areas

- Higher land/rental costs (e.g. Sydney)
- Different service sizes (e.g. 'economies of scale')
- Different wages (hangover from transitional provisions within the *Children's Services Award 2010* and *Educational Services (Teachers) Award 2010*)
- Local government planning restrictions (eg some services have their operating hours; room sizes; number of babies etc mandated, affecting service costs)
- Hours that children are at the service exceeding the hours charged.

Whilst the proposal to segment the deemed cost by age would improve the relevance of the deemed cost (e.g. recognising the higher costs of providing ECEC for babies), this would not address the other key determinants of reasonable cost.

ACA members have identified, and it is acknowledged by the current government, that the value of CCB has eroded substantially over the past ten years due to the CPI not sustaining the cost of provision of care.

The AMP NATSEM report from June 2014¹⁸ reports a 150 per cent increase in the cost of care over the past decade, and a 44 per cent increase in the last 5 years, clearly outstripping CPI. ACA therefore do not believe that CPI alone will be sufficient updating. Wages and other costs continue to rise and ACA believes that increases based on wages alone will not maintain the status quo. Reliance on CPI connected funding models by government in its commitment to increase funding for families is manifestly inadequate as it does not take into account operational and wage costs to prevent the erosion of out-of-pocket support for families.

ACA is not appropriately qualified to provide further advice on this issue.

Information Request 12.5

The Commission seeks information on the impact that removing the current free access of up to 50 hours a week to ECEC services for eligible grandparents will have on them and the children for whom they care.

ACA considers this as an extremely harsh change and would affect children and their grandparents negatively for minimal gain in cost savings to Government. There are occasions when grandparents have the primary care of their grandchildren – and great grandchildren in some instances. For this to occur there has typically been a traumatic event in the lives of the family. The adjustment that grandparents need to make is significant as they deal with the confusion and anguish in the lives of their grandchildren.

Grandparents with children under school age in their care have been extremely grateful of the Special Grandparent Child Care Benefit (SGCCB) subsidy as it has allowed them to ensure that the children

¹⁸ AMP.NATSEM 2014, *Child care strain on family budgets: women lose 60 per cent of their pay says AMP.NATSEM Report*, <<http://media.amp.com.au/phoenix.zhtml?c=219073&p=irol-reportsNATSEM&nyo=0>>

are in a settled environment and receiving the opportunity to interact with other children through the ECEC program.

Grandparents with the primary care of their grandchildren can be in their late thirties/early forties to elderly and whatever age, it is a significant personal challenge. They are dedicated to take on this responsibility to ensure balance in the lives of the children.

ACA believes that subjecting these families, who may be in the paid workforce and in some cases still raising their own children, to means testing would be counterproductive. The saving to government, both fiscally and socially will be far greater than continuing the 100 per cent subsidy for grandparents with grandchildren in their care as opposed to means testing.

Draft Recommendation 8.5

Governments should allow approved nannies to become an eligible service for which families can receive ECEC assistance. Those families who do not wish their nanny to meet National Quality Standards would not be eligible for assistance toward the costs of their nanny.

National Quality Framework requirements for nannies should be determined by ACECQA and should include a minimum qualification requirement of a relevant (ECEC related) certificate III, or equivalent, and the same staff ratios as are currently present for family day care services.

Assessments of regulatory compliance should be based on both random and targeted inspections by regulatory authorities.

The ACA Parent Survey August 2014 reveals that the parent support nannies; however, they strongly support that there be no trade off in the quality of provision of care.

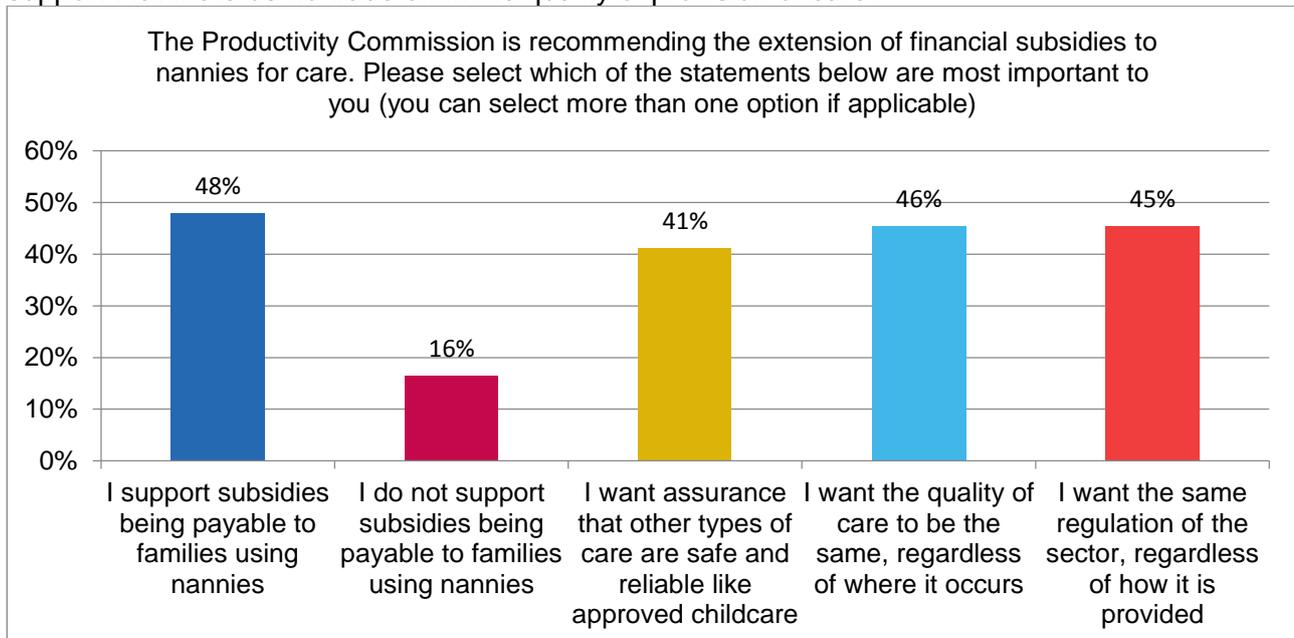


Figure 14. Care necessities for families

While ACA understand that the Australian Government is broadly committed to providing some form of “informal” type care through the nanny sector, ACA cannot accept that this form of care – excluding education – is overall the best for children.

The draft report suggests that this form of care will be more expensive than formal ECEC LDC and as a result should not be recommended to government and it is an inefficient allocation on taxpayer dollars.

It will likely result in the watering down of the National Quality Framework and the overall system of regulation. It has been stated that the nanny could be linked to a formal provider (e.g. LDC service to ensure that there is an overseeing body), however, this would need significant consultation with the sector and risk assessments considered to ensure that it would not be a process that the LDC was legally responsible for but could not control.

Random and targeted inspections by regulatory authorities will be almost negligible unless substantial additional funding is provided to the states. Assessors in most states are falling significantly behind targets for completing assessment and rating (A&R), with only the Northern Territory having assessed more than 50 per cent of approved services to date¹⁹.

PC suggests:

- For the benefit of children, appropriate national quality standards for ECEC services must be upheld, but there must also be scope within these standards for providers to offer a range of care-only and care-education combinations that meet the needs and budgets of families

ACA rejects this suggestion.

ACA does not support a “care only” and “education and care” approach to the provision of services. The sector has struggled for the past 25 years to move forward from the notion of care only, or child minding, and has worked hard to ensure that research into the value of an early education and care program has been acknowledged and introduced throughout the sectors.

The RCH Melbourne Policy Brief²⁰ states the care of young children is increasingly a shared responsibility of families, communities, governments and private enterprise.

In 2008, UNICEF²¹ reported that in industrialised countries, approximately 80 per cent of three-to six year-olds and 25 per cent of children under the age of three participate in formal early childhood education and care (ECEC). What happens in this care matters: neuroscience research is providing evidence about the vital importance of early environments on children’s learning and development trajectories. Participation in ECEC impacts directly upon children’s educational and social

¹⁹ ACECQA 2014, *NQF Snapshot Q2 2014*, <http://files.acecqa.gov.au/files/Reports/2014/2014_ACECQA_Snapshot_Q2_Final.pdf>

²⁰ The Royal Children’s Hospital Melbourne 2013, *Assessing the quality of early childhood education and care, No.25*, <http://www.rch.org.au/uploadedFiles/Main/Content/ccch/Policy_Brief_25_Quality.pdf>.

²¹ UNICEF 2008, *The child care transition: a league table of early childhood education and care in economically advanced countries*, UNICEF Innocenti Research Centre, <www.unicef.org.au/downloads/.../Report-card-8-JUNE-17-2008.aspx>

development and this impact has a lasting effect. It is participation in high quality programs; however, that delivers the greatest benefit for children.

Respondents to the ACA Parent Survey August 2014²² indicated a strong and clear view to trading off education and care for care only. It is evident that parents are extremely happy with the quality of care that they are receiving currently and are not prepared to trade off for a range of other benefits including cost.

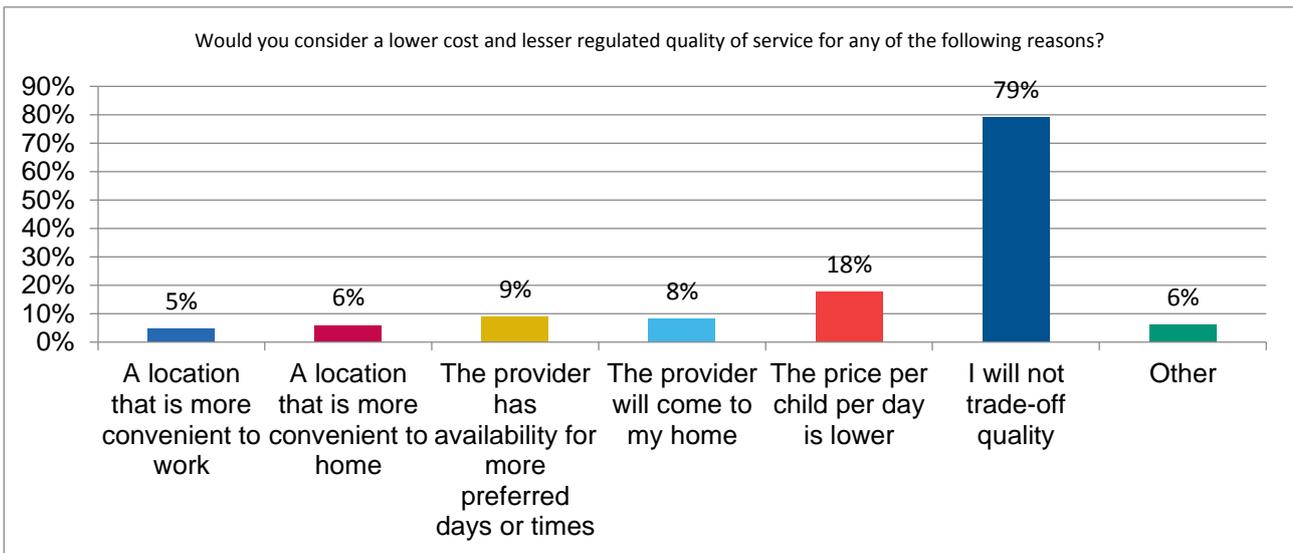


Figure 15. Families response to lower cost and lesser regulated service

The removal of barriers on allowable absences so services can use the places during longer absences.

This already occurs in many services however we remain unsure as to whether the “removal of barriers on allowable absences” means that allowable absences would or would not be subsidised.

For those schools with attached preschools (Kindergarten) OSHC should extend to preschool children as the 15 hours per week over part days that most dedicated preschools (kindergartens) operate currently makes workforce participation of at least one parent nearly impossible. More widespread availability of OSHC services would boost the accessibility of ECEC for the 2.6 million children who undertake a combined 8 years of preschool and primary school

Consideration must be given to the OSHC setting and its suitability for these very young children to be in attendance particularly grouped with much older children. ACA does not support this for very

²² Australian Childcare Alliance 2014, *Australian Childcare Alliance Parent Survey August 2014*, <www.childcareqld.org.au>.

young children as the facilities, staffing and curriculum for OSHC services is not appropriate for this age group. Furthermore, consideration should be given to the potentially negative impact to the social and emotional wellbeing of children when placed in a group containing such a broad age range with such obvious developmental differences.

How ECEC would be made more flexible

Draft 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.

One problem raised by some inquiry participants is that LDC, in particular, tends to offer care in full day sessions only — that is, parents who do not need a 10-12 hour day nevertheless have to pay for that. While this is a part of the business model for many LDCs, there would potentially be considerable support from parents were other business models to emerge that offered part day centre based care options which could be booked on a regular basis (essentially a more permanent and reliable version of occasional care).

ACA has several concerns with this recommendation.

The draft report identifies the possible of education and care services offering parents care on an hourly or 'half-day' pricing structure.

Historically, this approach failed to provide security of employment for educators and the viability of the service was severely challenged.

Provision of quality programs for children would be diminished and the value of the overall objective of the NQF minimised. Fees would be higher to meet unsupported operational expenses including casual wages. This is demonstrated in a case study found on Appendix 10, which provides an indication of the cost implications associated with the provision of flexible care, both via extended hours, as well as the provision of ECEC on weekends.

The ACA Member Survey August 2014²³ conveys information that the most requested flexibility (88 per cent of participants) was for swapped days. It is our understanding that unless a service is at maximum capacity, swapped days are provided within that same week in accordance with the Child Care Management System. 63 per cent advised that they did not offer more flexible delivery as there was no demand.

17 per cent advised that they would provide more flexible care if barriers to provision were overcome. Those barriers are – Award Restriction, Regulations, inability of families to meet the costs, funding limitations, shortage of available staff, security concerns, and insurance and local government issues.

Our concern is also that some Kindergartens/preschools could “cost shift” by rejecting state funding to operate under the federal funding model. This would have a significant impact on shifting funding

²³ Australian Childcare Alliance 2014, *Australian Childcare Alliance Member Survey August 2014*.

from the states to the federal government, ultimately causing tightening of the allocated ECEC subsidies for all families.

	Very often	Often	Sometimes	Rarely	Never
Before standard opening hours	2%	4%	16%	31%	47%
After standard opening hours	2%	4%	15%	29%	50%
Weekend	1%	1%	5%	16%	77%
Overnight	0%	1%	3%	9%	87%
Part-days	7%	13%	38%	21%	20%
Add/swap/change days	26%	34%	28%	5%	7%
Hourly care	2%	6%	18%	24%	49%

Table 2. Flexible care options

How ECEC would be made more affordable

Specific comments on affordability

(a) In home care services such as approved nannies (where they satisfy appropriate NQF requirements), should enable these forms of care to become a more affordable option for a wider group of families.

ACA has concerns with “care” v “education and care”. Affordability for this care must not be offset against affordability for children receiving education and care. PC stated that this form of care would cost prohibitive for most families. It is likely that this care would therefore only be an option for families with high income.

(b) ECT requirement determined by the number of children 3 +. This will encourage more services to spring up catering for 0 – 3 aged children

ACA agrees that in a setting the employment of an ECT for the 0 -3 children could be reconsidered, however we do not believe that it would be a significant cost saving that would encourage more services for 0 – 3 aged children. Ratios are the substantial affordability inhibitor in this age group.

(c) There is expected to be less incentive for providers to use the current flat fee structures whereby families of younger children are substantially cross subsidised by families of older children e.g. higher fees for babies (maybe higher subsidy too)**

ACA believes that higher fees and therefore higher subsidies for babies/toddlers 0 – 3 years is necessary as it has become more difficult to cross subsidise with the return from the older age groups as more state/territory governments have built and provided their own preschools/kindergartens thus reducing the demand in the long day care sector for this age cohort. However, under the current

system any additional fees to parents of babies would reduce their workforce participation. Governments have failed to address differential funding despite years of advocacy for this to occur.

Please see appendix 11 referring to the costs of 0 – 3 care under the 2016 ratio change.

(d) Those currently relying on Inclusion and Professional Support assistance for a capped 15 to 25 hours per week may find under SECLS that they get subsidised (but potentially means tested) assistance for up to 100 hours per fortnight.

ACA would need further detail of the proposed deemed cost model to understand how families would benefit or be disadvantaged under this model.

If the intention of this proposal is to further subsidise parent fees, this does not better support services to include and provide support to children with additional needs as it is currently the services that are bearing the costs associated with catering for children with additional needs due to the shortfall caused by the lack of appropriate funding with the current ISS model.

Any new proposal must have adequate funding to cover the financial burden attached to having an additional needs child integrated into the program so it is safe and equitable. Extra funding must be available to services to access staff and equipment that allow children with additional needs to be a part of the program for the same hours per day as any other child in the early childhood setting.

At present the current hourly rate must be increased to cover the wage of a casual adult certificate III level staff member. The current 5 hours a day limit for children in long day care through ISS is not adequate as these children can be left up to 12 hours a day, therefore the limit should be extended to cover the 12 hours. Services caring for additional needs children have to outlay extra wages per hour and sometimes for extended periods of time otherwise the other children in the environment are not receiving equitable care. Services are concerned to take children who need additional support as this has considerably affected their viability due to the inadequate funding currently provided.

Please see Appendix 12 highlighting the costing of childcare currently under inclusion support funding in services.

Where parents choose for work or other reasons to use preschool (kindergarten) programs in LDCs the preschool program component will be subsidised by the Australian Government at the same rate per child as in dedicated preschools

ACA supports this proposal; however, it is essential that this includes preschool/kindergarten attending LDC in states such as ACT, Tasmania and Western Australia where no provision has previously been made for parents' choice of preschool/kindergarten in LDC.

For those with a family gross income under \$160 000 mainstream ECEC services are likely to be more affordable under the new scheme than under the existing combinations of CCB and CCR

ACA is unable to comment other than to refer to the modelling prepared by Goodstart Early Learning²⁴ wherein they revealed through their workings of the deemed model that there was a very small window on the income stream when parents would benefit slightly from the model (\$140,000 - \$160,000). If this calculation is correct it would mean increased hardship for the vast majority of families and their children.

It is expected that the rate of assistance under ECLS would be able to be maintained by Government into the future

It is difficult to have confidence in the above statement when we have witnessed CCB devalue in the vicinity of 20 per cent over the past 10 years and CCR devalue considerably through indexation freeze. There has been a consistent history of the integrity of funding mechanisms being manipulated by changes to government policy, through the parliament, in budget and other legislation. Indexation on CCB has not kept pace with the rising cost of ECEC with increased regulation and ACA has no confidence that indexation alone will keep pace with increased regulatory expectations in the future e.g. 2016 ratio changes and the application for an ERO currently before FWC.

Implications of workforce participation

- One of the most significant financial factors for many families is the loss in Family Tax Benefits incurred once additional work results in a higher family income. Given the broader welfare settings, there is only so much that changes to ECEC assistance and accessibility can do to improve workforce participation.

Please refer to ACA response to recommendation 12.2 - Second income

Meeting the activity test

- An activity test of work, looking for work, training, or study is required for subsidy recipients. In removing the current 24 hours a week of subsidised ECEC without the need to meet the activity test, the Commission suggests lowering the number of hours of activity required from the current 15 hours per week to 24 hours per fortnight. Families using parental leave to care for a new baby will satisfy the activity test, but only for their older children to attend ECEC services.
- Families where both parents are not working should meet the activity test if they are assessed as able to and looking for work (on Newstart benefits). Families where parents are studying (on AusStudy, ABSTUDY or Youth Allowance) will also satisfy the activity test. The JETCCFA program recognised that the cost of childcare can be a barrier to women acquiring the skills to re-join the workforce. However, the current system treats low income families differently, based on whether they were low income and in employment or low income and out of employment families. Hence, the proposed model of funding will apply to all families, although those whose children have additional needs will also be eligible for additional subsidies.

²⁴ Karvelas, P 2014, *City childcare set to cost more*, *The Australian*, 5 August, <<http://www.theaustralian.com.au/national-affairs/city-childcare-set-to-cost-more/story-fn59niix-1227013331355>>

ACA is concerned with the approach outlined to meeting the work test for study one must be on AusStudy, ABSTUDY or Newstart. The draft report indicates that a mother who chooses to undertake study to ensure her return to the workforce and without receiving government assistance would not meet the work test and therefore would not be eligible to place her children in ECEC with subsidy. Mothers on PPL can access subsidised care whilst on PPL for their older children however would be considered not meeting the work test if they extend their maternity leave.

Commission's approach to quality and regulation

Any nanny, grandparent, block funded service (such as the existing Budget Based Funding providers) or other service which wishes to receive Australian Government ECEC subsidies, will be required to satisfy the standards of the NQF.

ACA does not support this approach as the service of "care only" would not be providing children with the same opportunities and standards as an ECEC service. Satisfying the standards of the NQF would incorporate watered down regulations and standards yet subsidies received would only be \$.69c less than that of the highly regulated and highly staffed LDC sector.

All jurisdictions should adopt the national requirements on ratios as minimum standards.

States and Territory governments are extremely protective of their own approach to ratios and standards. Several State and Territory governments have required ECEC services in their state to implement ratios with a lower number of children per educator than required by the NQF (e.g. services in NSW have an educator to child ratio of 1:10 for 3-5 year olds but the NQF requires a ratio of 1:11). Again this causes a problem with setting the deemed rate.

ACA is concerned about the introduction of the 2016 ratio changes and requests that this change be deferred until government can afford to pay and the regulatory change will not be forced on families to pay through higher charges brought about with the implementation of the regulations – a calculated 60 per cent increase in cost to families (See Appendix 2).

Streamline quality assurance processes

Food safety guidelines should be removed from the NQF

ACA supports this recommendation.

For dedicated preschools which come under state education legislation compliance with that legislation should be accepted as compliance with the National Quality Standards. State and territory education departments may need to revise aspects of their education legislation for preschools in light of the National Quality Standards

ACA believes all children prior to formal schooling should be covered under the same regulations and standards.

In Western Australia, where there are two separate bodies overseeing the NQS, the Education & Care Regulatory Unit for all approved care and the Department of Education WA self-assessing for preschools (kindergarten in WA), this system is much divided. The Regulatory Unit in WA should be rating and assessing all services including kindergarten at as school. This will make for a fair and consistent system and ensure all children receive high quality education and care in the setting the families have chosen.

The current inconsistency between jurisdictions in working with children checks should be eliminated as a matter of priority, to reduce the risks for children and regulatory burdens on ECEC workers.

ACA supports this recommendation.

Economy wide impacts

- The impact on GDP of proposed changes of less than 0.4 per cent, or \$5.5 billion, in GDP, compared with that under the current ECEC system in 2013-14.
- Under the preferred scenario 1, additional expenditure of around \$1.3 billion per year (compared with 2013-14) on mainstream ECEC would be partially offset by increased tax revenue and Medicare levy receipts of around \$0.2 billion associated with the increase in workforce participation, and reduced Family Tax Benefit and parenting payments of around \$0.3 billion per year. Overall, ECEC assistance for use of mainstream services provided under scenario 1 would cost the Government a further \$0.8 billion per year, after adjusting for increased tax receipts and lower family welfare payments, compared with the level of mainstream expenditure in 2013-14.

How would this approach be funded?

- Diverting some funding from the proposed PPL scheme to another area of government funding, such as ECEC, where more significant family benefits are likely. Such a move could add up to a further \$1.5 billion per year to Australian Government assistance for ECEC.

ACA recommends that time be taken to ensure that this review has the correct long term outcomes for the government, the sectors and all stakeholders whilst maintaining high standards and outcomes for children to ensure their successful passage through the school years.

ACA understands the Australian Government's budgetary position, but government must also admit that families using the ECEC sector have not been subsidised appropriately, particularly through the implementation of the NQF.

Additional expenditure has occurred from growth in usage over the past several years and at the same time freezes on subsidies have increased financial pressures on families.

With Australia's spend of GDP at 0.45 per cent it has one of the lowest expenditures on ECEC as a proportion of GDP of any country in the OECD. The countries that are marked as best-practice spend significantly more, for example New Zealand, which spends 1 per cent of GDP.

ACA believes that if a planning model was introduced a stronger control of growth would be established enabling government to ensure that ECEC places would be provided where necessary.

Vacancy rates provided to the government on a weekly basis should be monitored closely to identify areas in need of supply and areas where seasonal or a downturn of usage became evident.

ACA considers that the planning model should be placed in the Australian Government jurisdiction and not that of local government. Australian Government is provided with vacancy data from all services electronically on a weekly basis. Historically, planning systems such as the Planning Advisory Committee structures that were established in 1997 were highly effective in directing services to areas of need (see Figure 15 for information on the overall approach).

Figure 15 highlights that planning has been identified as an ongoing issue that has not been adequately addressed by subsequent governments, with the exception of the Howard Government for a period of 2 years from 1997 - 1999. The Australian Law Reform Commission Report 70²⁵ in 1994 identified that legislation be introduced for planning and decision making to ensure the needs of children from working families will be met.

Planning to meet the needs of the children of working parents equitably

21. The Commission recommends that the new legislation set out the principles which should underlie the planning process.

- It should be open and transparent.
- It should identify the community's needs, including the special needs of priority groups identified in the legislation, and aim to meet those needs.
- It should provide adequate opportunity for the community in general and special needs groups within the community to participate in the planning process.
- It should include processes to ensure that the community, especially special needs groups within the community, is informed about the planning process and about decisions and reasons for decisions made during the process.
- It should provide for regular evaluation of: the effectiveness of the process, the appropriateness of specifically identified special needs groups, the appropriateness of data identified as being necessary to meet needs (para 5.18).

Guidelines should identify data that should be collected and used in the planning process:

22. The Commission recommends that the legislation provide for the development of guidelines to specify the data to be considered in identifying needs in a particular area in making planning decisions. The guidelines should include data on:

- the ages of children for which an area has a need for services (for example, 0 to 2 and 2 to 5 year olds and, for OSHC, 5 to 8 and 8 to 12 year olds)
- where, within the area, child care places are most needed
- the number of places that are needed
- the type of care needed (including the hours that it is needed)
- what kinds of services or places should be located there
- the extent of and kind of special needs which should be met
- anything else that is necessary (para 5.20).

²⁵ Commonwealth of Australia 1994, *Child Care for Kids*, Australian Law Reform Commission 70, Department of Human Services and Health, Canberra <<https://www.alrc.gov.au/sites/default/files/pdfs/publications/ALRC70.pdf>>.

Legislation should give the Secretary the power to ensure that services can be required to meet identified needs

23. The Commission recommends that the legislation give the Secretary the power to require as a condition of funding that a service meet specified needs (para 5.21). Exercising some control over the location of private service

24. The Commission recommends that the legislation permit the Secretary to include private for profit services (which are eligible for CA) within the planning process to enable the Commonwealth to ensure its limited funding is targeted to areas of need (para 5.25).

Figure 16. Excerpt from the Australian Law Reform Commission Report 70

ACA member survey shows that overall families who do not meet the work test are not a factor in congesting the ECEC system. Vacancies in services²⁶ are higher for this time of the year in many areas than has been through our previous surveys (see figure 16 for vacancy data). This result also does not substantiate developers building at whim and it does indicate that a planning system should be introduced. It also substantiates that the non-work related families are not clogging the system.

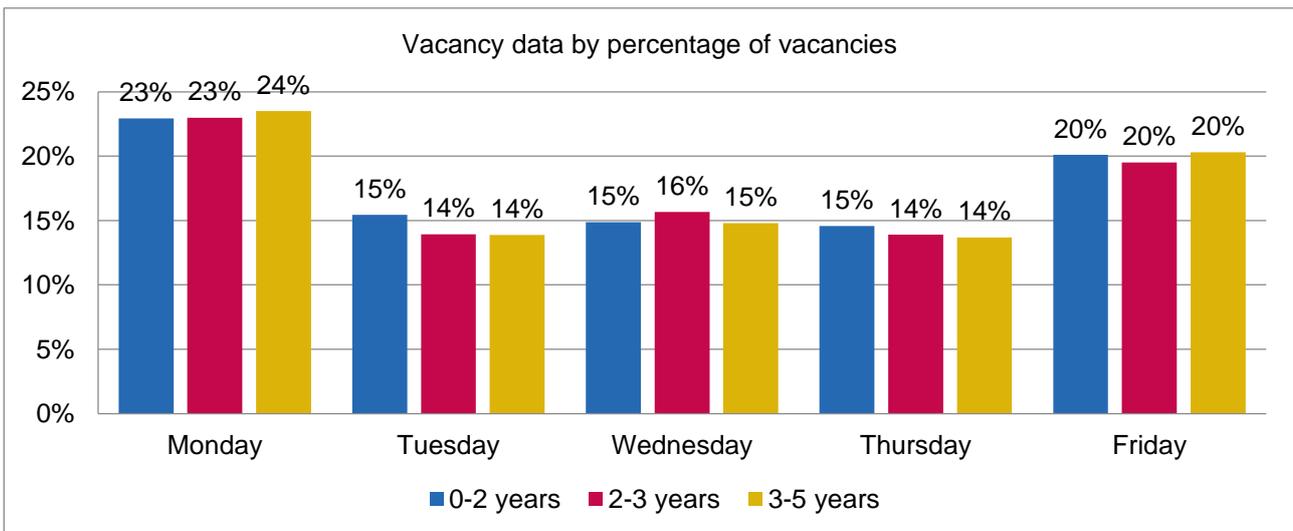


Figure 17. Vacancy Data

²⁶ Australian Childcare Alliance 2014, *Australian Childcare Alliance Member Survey August 2014*.

Outside School Hours Care

Draft Recommendation 8.1

The Australian Government should ensure that the requirement (currently contained within the Child Care Benefit (Eligibility of Child Care Services for Approval and Continued Approval) Determination 2000) for most children attending an outside school hours care service to be of school age, is removed and not carried over into any new legislation.

ACA does not support this recommendation.

This does not appear to be logical – most of the children attending an OSHC service would be of school age to maintain program integrity for school aged children, OSHC should remain predominantly for school aged children. ACA does not see any value in removing the wording.

Draft Recommendation 9.1

The Australian Government should remove the registered childcare category under the Child Care Benefit.

ACA has concerns with the removal of the “registered” childcare category under the CCB.

Whilst we understand that the CCB subsidy model may be soon extinct, the opening up to anyone to provide care may have unintended consequences. These could see the rapid expansion of much lower quality unregulated care opportunities, which may bring with them health and safety threats for children.

Draft Recommendation 10.1

The removal of fringe benefit tax concessions to not-for-profit ECEC services, as they afford these services an often substantial competitive advantage over commercial services, do not always translate to clear benefits to communities, and are a less transparent means of supporting not-for-profits than providing direct subsidies or grants

ACA supports the removal of fringe benefit tax concession benefits to not-for-profit ECEC services. ACA also suggests that any competitive commercial type enterprise where a profit should be generated must be exposed to a full taxation liability.

Recommends the removal of the fringe benefit tax exemption for employer provided ECEC, on the basis that this provision provides a largely non transparent benefit to a small number of families typically on very high incomes, and likely undermines the integrity of the Government’s broader approach to ECEC assistance.

ACA supports this recommendation and recognises that this creates a financial disadvantage for families who are not employed by large corporations or not for profit services.

State and territory governments should remove eligibility of all not for profit childcare providers to payroll tax exemptions. If governments choose to retain some assistance, eligibility for a payroll tax exemption should be restricted to childcare activities where it can be clearly demonstrated that the

activity would otherwise be unviable and the provider has no potential commercial competitors

ACA supports this request to state/territory governments.

ACA questions whether there are issues of competitive neutrality between the Private and the not for profit sector – both charging similar costs, both clients receiving similar subsidy, both vying for the same market. One heavily subsidised by government one heavily taxed by government.

Productivity Commission Research Report²⁷ There are concerns about the extent to which the treatment of tax concessions and subsidies in government funding and procurement decision-making violates the principle of competitive neutrality.

- The current 'double-dipping' of Australian Government funding that occurs for preschool services in some states will be eliminated

ACA supports this recommendation.

The Australian Government would provide the same level of assistance for preschool to every child regardless of whether they participated in a dedicated preschool or a preschool program in a LDC

ACA supports this recommendation.

Bringing preschool services within the state and territory school structure and funding them on the same basis as school age children provides an ongoing and consistent framework for preschool funding in every state and territory into the future

ACA believes that this would be cost shifting exercise from the Australian Government to State and Territory governments through education funding. It is unclear if this proposed shift has been deducted from the overall costs of care quoted in the estimated \$8 billion per annum required for the preferred funding model in the draft report and if the cost shifting of standalone preschools/kindergartens into the federal subsidy model (accessing subsidy through the Early Care and Learning Subsidy).

Transition to new assistance arrangements

- The main change for approved providers of mainstream ECEC services is that they will receive the full amount of the subsidy directly for all children

ACA supports this recommendation.

Some service providers particularly those that have come to rely on specific programs as a source of funding may find they need to change their service delivery model. Given that the funding changes will impose costs during transition to the proposed system a transition strategy is required

ACA has insufficient information to comment on this recommendation.

²⁷The Productivity Commission 2010, *Productivity Commission Research Report Contribution of the Not-for-Profit Sector*, http://www.pc.gov.au/data/assets/pdf_file/0003/94548/not-for-profit-report.pdf.

Some mainstream ECEC services such as LDCs may find it feasible to include home based care positions in their service offerings

ACA has not been supplied with sufficient information on this proposal may function to make an informed decision on the merits, opportunities or barriers, however members are prepared to examine the process when details are made available but are concerned about the liability involved.

Information Request 12.9

The Commission seeks information on whether there are other groups of children that are developmentally vulnerable, how they can be identified, and what the best way is to meet their additional needs.

Developmentally vulnerable children come to the attention of services in all suburbs across Australia. ACA does not believe that these children, although identified, to date have been helped consistently to participate in a long term program prior to school.

These children usually experience considerable hardship and may have parents with social issues, mental health issues, generational unemployment, drug addiction or a combination of these problems. While the parents love the child, and the child is not 'at risk, the child is not offered the care and support that is required for their optimal development.

Very often their attendance in an ECEC is spasmodic and short-term as the parents cannot pay the fees, are unreliable in getting the child to the service and generally see no interest in the educational value of the service. Other factors such as refugee status and cultural attitudes towards early childhood education will also affect a child's participation in ECEC. These children will not have the skills, social, emotional and cognitive to enter the first year of school, equal to their peers. The AEDI has identified that there are around 20 per cent of developmentally vulnerable children attending the Foundation year at school.

A program that allowed services to identify these children, to develop plans in conjunction with the family and support agencies, and to document the child's outcomes, whilst encouraging them to attend an ECEC service, at a subsidised rate, would make a difference to the wellbeing of the child and the family as a whole. The holistic approach of an ECEC program, focusing on building resilience, self-worth and creating active learners and responsible adults will put them on a path for future success.

Pre School – Supporting Universal Access

Draft Finding 5.2

Participation in a preschool program in the year before starting formal schooling provides benefits in terms of child development and a successful transition to school.

Any decision to extend the universal access arrangement to younger children should be based on an analysis of the effectiveness of the existing arrangements in improving development outcomes and from evidence drawn from relevant Australian and overseas research. This would assist in determining how preschool should ultimately be integrated into the school based education system



ACA agrees with the findings on the benefits of a preschool program in the year before starting school.

Children of three years of age should be in a quality, comfortable nurturing setting and learning through their play and not being forced to participate in a program in a more structured school environment. A push down in education to our small children will have negative effects in the long term. Increasingly, there is shift towards a later start to formal learning citing the successes in other countries where developmental outcomes have been strong.

ACA supports evidence outlined in Stop Stealing Childhood in the name of Education²⁸ indicates that a further push down in education to three years olds would not be in the best interests of the children and their long term future. The document states:

“The pressure to introduce the National Curriculum in schools across Australia has a lot to answer for. Many early childhood educators have been told that the ‘push down’ is because of the National Curriculum and that the NAPLAN results need improving. The incorrect assumption that making children start formal learning earlier will create these results is NOT supported by any evidence and indeed is seen clearly as being detrimental children except those who are developmentally ready. It seems that this National Curriculum gives educators the ‘what’ from pre-primary onwards however it is deliberately silent on the ‘how’ – as how you communicate the content is determined by what your students already know and can do. This is where many of the problems appear to begin – a complete lack of clarity as to ‘how’ we bring in the ‘what’. This needs to be cleared up as soon as possible so that we can stop this push down into the early years, thinking it is what is best to improve the educational Outcomes of the children of Australia.”

Draft 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 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.

ACA supports this recommendation.

Draft Recommendation 12.10

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.

ACA supports this recommendation.

²⁸ Dent, M 2013, Stop stealing childhood in the name of education: a plea to ask why? *Maggie Dent quietly improving lives*, <http://www.maggiedent.com/sites/default/files/articles/StopStealingChildhoodintheNameofEducation_BY_MAGGIE_DENT_1.pdf>

This has been a key issue in the Northern Territory, NSW and WA as privately owned long day care services have been excluded from Universal Access funding, despite privately owned long day care services in all other jurisdictions receiving this funding.

Draft Recommendation 5.1

Payment of a portion of the Family Tax Benefit Part A to the parent or carer of a preschool aged child should be linked to attendance in a preschool program, where one is available.

ACA and Childcare NSW have previously provided the PC with information on this issue. ACA is unclear on the meaning of this recommendation.

For example, does this imply that a portion of the FTB Part A will be withheld to pay for the child's full fee attendance (if a parent does not meet the work test) in a preschool program. In addition, will there be a subsidy if the parent does meet the work test and if the parent does not send the child to a preschool program will they lose part of the FTB Part A?

ACA supports every child receiving the subsidy to attend for 24 hours per week.

Draft Recommendation 7.9

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.

ACA believes that this would increase division across the ECEC sectors. All children prior to formal schooling should be covered under the same regulations and standards.

Responsibility for preschool programs should remain with the states and territories. The Australian Government should negotiate with state and territory governments to incorporate funding for preschool into funding for schools and encourage extension of school services to include preschool as already occurs in Western Australia and the ACT. Government funding for preschool (on a per child basis) should ensure universal access for children to 15 hours per week of a preschool program for 40 weeks in the year prior to starting school.

ACA supports the continuance of the National Partnership funding to preschool/kindergartens to meet the intent of the NP Agreement that ALL children would have access to 15 hours of preschool regardless of their families' choice of service.

ACA does not support provision of preschool programs only in the school system as it is clear that preschool programs delivered in the long day care setting are providing outstanding results for children.

To support parents who work governments should continue to contribute funds to preschool programs in long day care (LDC) centres. Where preschool is undertaken in an LDC and states and territories

are not passing on the universal access funding this should be withheld from the state or territory by the Australian Government and paid directly to the LDCs.

ACA supports this recommendation.

Information Request 5.1

What are the optimal hours of attendance at preschool to ensure children's development and what is the basis for this?

ACA members who are operating an approved kindergarten/preschool program endorse the 15 hours per week for the kindergarten program. Employee contracts have been implemented to cover this time and the expense has already occurred. Members also report that the 15 hours is sufficient time for children to receive a program that reflects the outcomes of the EYLF and evidence of children's learning has endorsed the value to children of the 15 hour programme.

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 in dedicated preschools. This includes a transition to the provision of preschool at no cost to parents, in those dedicated preschools attached to public primary schools.

ACA members do not support the move to transition to full state and territory responsibility for preschool delivered in LDC as well as in dedicated preschools.

The current scenario where kindergarten/preschool is delivered in a long day care setting has been an immense saving in capital expenditure to the states where it is occurring. The roll out of Kindergarten/preschool has been the most substantial in Queensland and Victoria into the LDC sector and the process has been well received with a significant take up by parents choosing to continue their children in the familiar setting of the LDC. ACA sees this as a cost shift from Federal Government funding to state government funding and the provision of the program at no cost to parents should be extended to children attending the program in the LDC.

In New South Wales and Western Australia, many parents choose to have their child attend a long day care setting for the preschool program however the LDC sector and families have not received any funding through the Universal Access funding for support.

The NSW Government's *Review of NSW Government Funding for Early Childhood Education*²⁹ made it clear that "families and children should benefit from the Government's investment in quality early childhood education programs regardless of whether they access a long day care centre or a preschool", a recommendation strongly endorsed by ACA. This recommendation is consistent with the requirements of the *National Partnership Agreement on Universal Access to Early Childhood*

²⁹ NSW Government 2012. *Review of NSW Government Funding for Early Childhood Education*, <https://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>

*Education Intergovernmental Agreement on Federal Financial Relations*³⁰, which states that the agreement “will be implemented consistently”; and that universal access would ensure the quality early childhood education program – defined as “a program delivered in the year before full-time schooling in a diversity of settings, including long day care centre based services, stand-alone preschools and preschools that are part of schools” – “would be delivered in a manner that met the needs of parents and working families”.

Preschools/kindergartens operated through the LDC sector assist government expenditure by no outlay on infrastructure costs and ACA suggests that the financial impact to determine the most cost efficient provision of this important year for our children be assessed.

ACA believes and has stated earlier in this document that the National Partnership agreement on Universal Access that all children should have access to a 15 hour preschool program delivered by and Early Childhood Teacher in whichever setting the parent chooses should be upheld.

Draft Recommendation 12.6

The Australian Government should establish three capped programs to support access of children with additional needs to ECEC services.

- The Special Early Care and Learning Subsidy would fund the deemed cost of meeting additional needs for those children who are assessed as eligible for the subsidy. This includes funding a means tested proportion of the deemed cost of mainstream services and the ‘top-up’ deemed cost of delivering services to specific groups of children based on their needs, notably children assessed as at risk, and children with a diagnosed disability.
- The Disadvantaged Communities Program would block fund providers, in full or in part, to deliver services to specific highly disadvantaged community groups, most notably Indigenous children. This program is to be designed to transition recipients to child-based funding arrangements wherever possible. This program would also fund coordination activities in integrated services where ECEC is the major element.

The Inclusion Support Program would provide once-off grants to ECEC providers to build the capacity to provide services to additional needs children. This can include modifications to facilities and equipment and training for staff to meet the needs of children with a disability, Indigenous children, and other children from culturally and linguistically diverse backgrounds.

Any new proposal must have adequate funding to cover the financial burden attached to caring for an additional needs child integrated into the program so it is safe and equitable. Extra funding must be available to services to access staff and equipment that allow children with additional needs to be a part of the program for the same hours per day as any other child in the Early Childhood setting. At present the current hourly rate must be increased to cover the wage of a casual adult certificate III level staff member plus all employment on costs. The current 5 hours a day limit for children in long day care through ISS is not adequate as these children can be left up to 12 hours a day, therefore the

³⁰ Council of Australian Governments 2008, *National Partnership Agreement on Universal Access to Early Childhood Education Intergovernmental Agreement on Federal Financial Relations*, <http://www.federalfinancialrelations.gov.au/content/npa/education/early_childhood_education/early_childhood_education.pdf>.

limit should be extended to cover the hours of the service. Services caring for additional needs children have to outlay extra wages per hour and sometimes for extended periods of time to ensure that the other children in the environment are receiving equitable care. Services are concerned to take children who need additional support as this has considerably affected their viability due to the inadequate funding currently provided. It also can place considerable stress on educators as they struggle with little assistance under the ISS for an additional educator.

ACA is unsure of the benefit or impost on the proposal to provide block funded support for approved providers caring for children with disabilities. An indication of current expenditure by a service to support the care of children with disability in the service is attached at appendix 4.

ACA is concerned that one-off grants may at times be expenditure that may only be utilised or required for a short duration. Structural changes may be needed at a service for say, a ramp, however if the child then moves to another service, would there again be funding for a ramp?

It is vital that the funding follows the child as reapplying for funding by services is costly in time spent on administration and the child does not receive the ongoing support until approval is granted.

Draft Recommendation 12.5

The Australian Government should establish a capped 'viability assistance' program to assist ECEC providers in rural, regional and remote areas to continue to operate under child-based funding arrangements (the Early Care and Learning Subsidy and the Special Early Care and Learning Subsidy), should demand temporarily fall below that needed to be financially viable. This funding would be:

- accessed for a maximum of 3 in every 7 years, with services assessed for viability once they have received 2 years of support*
- prioritised to centre-based and mobile services*

ACA has received a letter from South Australia advising that the services in the Kapunda area will be forced to close if the three year out of seven funding model is adopted and the workforce participation test prohibits children of parents who fail to meet the test from receiving subsidised ECEC.

It is vital for these areas to receive the sustainability funding to continue operation and supply of ECEC to the families who face diversity and relative isolation because of their demographic situation.

ACA believes that ongoing sustainability funding is a relatively small investment of Government to ensure rural and remote communities have access to quality education and care services. See member comment in figure 17.



Oakey, Queensland

Currently just reached 50% occupancy after a few years of struggle. Below is CCMS centre report showing; 33% families rely on 24hrs non work related care.

		%
24hrs	35	33%
50hrs	70	65%
60hrs	2	2%
total	107	

The centre has a 24hr exemption from families meeting the work test as it is the only service in town. Of these 35 families we have 17 children who use the service more than 24hrs under the exemption. 8 of those children are in the Kindy funding program and would not be in a position to afford to attend if the proposed work workforce participation test was introduced.

The Manger of the service fears with the increased stresses on regional services and financial strains that these small communities are facing, some of these services, the only ones for families in these areas will be forced to close doors. This will result in children receiving less education support and putting them further behind before school starts. Unfortunately these smaller communities referred to are often low socioeconomic and face social struggles and services are often the only outlet for children to learn better ways moving forward.

Figure 18. Member comment

Quality Assurance Processes and Regulation of ECEC

Draft Recommendation 7.8

Governments should extend the scope of the National Quality Framework to include all centre and home based services that receive Australian Government assistance. National Quality Framework requirements should be tailored towards each care type, as far as is feasible, and minimise the burden imposed on services.

ACA has concerns about how the “tailoring” will occur. The following reflection should be read in conjunction with our comments on deemed rate (see ACA response on Draft Recommendation 12.4) .

Tailoring NQF requirements to each care type is central to ensuring quality outcomes for children in divergent settings; however ACA believes that this should be determined with the experts from each “care” type and others to ensure that the outcomes for children are prioritised and the care, quality, health and safety of the child is not jeopardised or weakened. ACA is concerned about a sliding scale of quality provision across service types.

Draft Recommendation 7.1

To simplify the National Quality Standard, governments and ACECQA should:

- identify elements and standards of the National Quality Standard that can be removed or*

altered while maintaining quality outcomes for children

- *tailor the National Quality Standard to suit different service types — for example, by removing educational and child-based reporting requirements for outside school hours care services.*

ACA supports the suggestion to remove or alter identified elements of the NQF.

As outlined in ACA's detailed submission in response to the *Review of the National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care*³¹, ACA supports the intent of the NQF, in particular the desire to drive continuous improvement and consistency in Australian ECEC services. However, it will only ever be successful if implemented consistently, administered equitably and funded adequately.

The ACA submission in response to the 2014 NQF Review, and the supporting submissions from our state associations, highlights a number of improvements that could be made to the National Quality Standard and the broader implementation of the framework, without compromising its integrity, nor the quality, affordability or accessibility of ECEC (see Appendices 14 and 15 for ACA's views on the Assessment and Rating process and red tape).

These submissions document a number of flaws in the current assessment and rating process, from subjectivity to inconsistencies to unreasonable timeframes (for example, see Appendix 13, which summarises member feedback on assessment and rating in NSW).

ACA suggests that the submissions to and eventual outcomes of NQF Review, as well as the discussions currently taking place at officials level in the Federal, State and Territory governments, could greatly inform the Productivity Commission's deliberations in this area.

Information Request 7.1

The Commission seeks participants' views on the expected impacts on the development of children under 36 months of focusing required teachers in centre-based care on children over 36 months.

ACA members report that the Diploma Qualification is a respected and valuable qualification for educators working with children in their early years. This combined with experience and continuing professional development can ensure that these educators are aptly equipped to adhere to the EYLF and the NQS to provide the care and education needed for the children.

Caring and educating young children must be flexible and play based and the Diploma qualification is strong on these points.

In a centre-based care setting there is also a wealth of knowledge and support to draw from and up until recent times most of these services did not have the input from an Early Childhood Teacher.

³¹ Australian Childcare Alliance 2014, *2014 Review of the NPA on the National Quality Agenda for Early Childhood Education and Care*, <http://childcareqld.org.au/wp-content/uploads/Review-of-the-NQF-Submission-from-ACA.pdf>.

Draft Recommendation 7.2

Requirements for educators in centre-based services should be amended by governments such that:

- all educators working with children aged birth to 36 months are only required to hold at least a certificate III, or equivalent
- the number of children for which an early childhood teacher must be employed is assessed on the basis of the number of children in a service aged over 36 months.

ACA does not support the suggestion that the educators in the 0 – 3 age group are required to hold only a Certificate III. ACA supports a diploma qualified educator.

The recent *Timing of high-quality child care and cognitive, language, and preacademic development*³² study, based on National Institute of Child Health and Human Development Study of Early Child Care data, indicates that cognitive, language and pre-academic skills prior to school entry were highest among children who experienced high quality care in both the infant-toddler and preschool periods, with children in high quality infant-toddler care also reported to have better memory skills. It should be noted that a number of studies³³ have referred to the level of specialised early childhood qualifications and the relationships between educator qualification, their levels of interpretive complexity and the quality of their interactions as indicators of quality of ECEC.

Whilst not questioning the importance of having educators capable of developing nurturing relationships with children aged less than 36 months regardless of qualification type, it is important to note that the current Certificate III requirements are predicated on the assumption that graduates will “take limited responsibility in known and stable contexts within established parameters”³⁴. The nature of the birth-36month cohort means that unpredictable situations are likely. As such, ACA supports having a team of educators with blended qualifications as the best solution.

Throughout Australia there are dedicated baby services (e.g. fewer than 20 babies). These services are not viable due to the low staff: child ratios and the additional costs of an ECT compound the loss and have not proven the need in achieving high quality ratings to engage an ECT. Research data to support higher staff: child ratios under the Regulatory Impact Statement on the NQF are limited.

In New South Wales the number of ECT’s required in services is excessive, out of step with requirements for the rest of Australia and placing unrealistic demands on the sector to recruit.

Draft Recommendation 7.3

Differences in educator-to-child ratios and staff qualification requirements for children under school age across jurisdictions should be eliminated and all jurisdictions should adopt the national requirements.

³² Li W, Farkas G, Duncan GJ, Burchinal MR, Vandell DL. 2013, *Timing of high-quality child care and cognitive, language, and preacademic development*. <<http://www.ncbi.nlm.nih.gov/pubmed/23127299>>.

³³ Degotardi, S 2010, *High-quality interactions with infants: relationships with early-childhood practitioners’ interpretations and qualification levels in play and routine contexts*, <<http://www.tandfonline.com/doi/abs/10.1080/09669761003661253#.VAPkzPmSySo>>; Hestenes, L.L. Cassidy, D.J. Hegde, A.V. Lower, J.K. 2007, *Quality in inclusive and noninclusive infant and toddler classrooms*, Journal of Research in Childhood Education

³⁴ Australian Qualifications Framework 2013, *AQF Specification for the Certificate III*, <http://www.aqf.edu.au/wp-content/uploads/2013/05/5AQF_Certificate-III.pdf>

Ratios across Australia are so diverse due to the different state/territory regulations. ACA requests that the ratio changes to be implemented in 2016 be deferred until the government can afford to subsidise families to meet the additional costs that will be incurred with this implementation.

ACA is concerned that when the NQF became law, consideration had not been given to many of the issues for implementation and the resulting costs to families. Whilst ACA agrees that we need to continue to work towards a national approach, we are not convinced that there was sufficient economic planning to determine dates for implementation of changes of the magnitude of the 2016 changes.

Families and children have already been the losers as they have been forced to reduce or reject workforce participation due to the increasing high costs of care and a sensible approach must now be applied.

In the states/territories where national standard ratios already apply, fees to families are generally considerably higher than in the states that are not on the national standard ratios.

ACA agrees that where state governments have forced services to operate at ratios higher than National Standards it should be optional for services to adopt rather than enforced.

Please see Appendix 11 highlighting the cost estimates from services that will be additional to parents' current fees if the 2016 changes proceed.

Families in States where ratios are already meeting NQF requirements are disadvantaged through additional fees. The "deemed" amount will affect families where state regulations are higher than NQF standards.

Draft Recommendation 7.5

To provide services with greater flexibility to meet staffing requirements, ACECQA should:

- remove the requirement that persons with early childhood teacher qualifications must have practical experience for children aged birth to twenty four months
- explore ways to make the requirements for approving international qualifications simpler and less prescriptive in order to reduce obstacles to attracting appropriately qualified educators from overseas.

All governments should allow services to temporarily operate with staffing levels below required ratios such as by maintaining staffing levels on average (over a day or week), rather than at all times.

The New South Wales and South Australian Governments should allow a three month probationary hiring period in which unqualified staff may be included in staff ratios before beginning a qualification, as was recently adopted in all other jurisdictions.

ACA agrees that staffing levels below ratios could assist and support it being on average for one day. When a staff member is ill or an emergency occurs it would then allow the service time to engage a replacement without being in breach of regulation. Services cannot have an additional staff member on site in a "just in case" position to cover when a staff member becomes ill or is called away for

family matters or suddenly there is a traffic incident and several mothers are a little later in collecting their children, thus throwing ratios out for a short period. We understand that this system has been working well in the preschools in South Australia.

ACA does not support ratios being averaged over the week.

Draft Recommendation 7.6

Governments and ACECQA should:

- urgently reconsider the design of the assessment and ratings system, giving particular consideration to finding ways to increase the pace of assessments
- explore ways to determine services' ratings so they are more reflective of overall quality
- abolish the 'Excellent' rating, so that 'Exceeding National Quality Standard' is the highest achievable rating

As outlined on ACA's response to Draft Recommendation 7.1, it has been suggested in conjunction with colleagues from other sectors, an alternate system to streamline the Assessment and Rating process and increase the pace of assessment.

As mentioned earlier in this document, ACA believes that it is the assessment process that is the precursor to the problem with the overall ratings. There appears to be no measurement as to what determines a service slipping under or over a line which leaves this decision entirely up to the assessor. ACA believes that the flawed Assessment process, the assessors and the system need to be analysed and improved to better reflect practicality and to provide the service with more autonomy in the process. The current system is subjective and inconsistent in assessment and rating.

ACA is supportive of abolishing the "Excellent" rating. Please read ACA's submission on Assessment and Rating (See Appendix 14) and Red Tape (See Appendix 15).

Draft Recommendation 7.7

Governments, ACECQA and regulatory authorities, as applicable, should:

- *abolish the requirement for certified supervisor certificates*
- *provide more detailed and targeted guidance to providers on requirements associated with Quality Improvement Plans, educational programming, establishing compliant policies and procedures and applying for waivers*
- *explore potential overlaps between the National Quality Framework and state and local government requirements as part of the ongoing review of the Framework, and ensure any identified overlaps are eliminated See Red Tape document attached*
- *review:*
 - *ways that services with higher ratings ('Exceeding National Quality Standard') could be relieved of some paperwork requirements, where these are less important to ensuring quality given the service's compliance history*

ACA supports abolishing Certified Supervisor Certificates.

Detailed targeted guidance: The sector required intense assistance from 1/1/2012 which was not forthcoming until very recent times. Services and educators struggled to understand and implement the NQF. Assistance will always be required for refreshing educators, incorporating latest research and training new entrants to the sector.

A complete overhaul of the NQS and maybe the NQF review currently underway will provide a clear indication of the paperwork that is excessive. See documents attached 'Reflection on Assessment and Rating NQS and A & R Proposal).

The compliance history of the service, if no management change has occurred, could be an indicator of those services that could take a more self-assessment approach to A & R.

Draft Recommendation 7.10

State and territory governments should, as a matter of priority, harmonise background checks for ECEC staff and volunteers by either:

- advancing a nationally consistent approach to jurisdiction-based 'working with children checks' as proposed in the National Framework for Protecting Australia's Children, including mutual recognition of these checks between jurisdictions, or implementing a single, nationally recognised 'working with children check'.

ACA supports a nationally recognised "working with children check"

Draft Recommendation 7.12

Local governments should adopt leading regulatory practices in planning for ECEC services. In particular, local governments should:

- use planning and zoning policies to support the co-location of ECEC services with community facilities, especially schools
- use outcomes based regulations to allow services flexibility in the way they comply with planning rules, such as in relation to parking
- not regulate the design or quality of any aspect of building interiors or children's outdoor areas within the service property, where such regulation duplicates or extends the requirements of the National Regulations or other standards such as the Building Code of Australia
- not impose regulations that interfere with the operation of the ECEC market, such as by restricting the maximum number of permitted childcare places in a service
- provide clear guidelines for the assessment of development proposals in relation to ECEC services, and update these guidelines regularly.

State planning departments should, as in Victoria, develop flexible standard planning provisions that can be applied across local governments to ensure some level of consistency; and scrutinise amendments to local planning schemes that might seek the introduction of different standards to guard against potentially costly requirements being imposed.

ACA agrees that local governments should be more flexible where there is need for a service to extend or renovate to include more children or rearrange "under the roof" to provide a more appropriate environment. Provision for additional parking places has proved to be an inhibitor for



those services in some states in attempting to extend their capacity. However ACA firmly believes that all planning for additional child places should be the role of the Australian Government as stated previously in this document under Planning.

ACA does not agree that there should be “no limit on the maximum number of permitted children places”. The intent of ECEC is to provide a community service where there is strong interaction between parents, educators and children in the service. Services are being constructed where they are so large that they appear more like schools, not nurturing interactive settings for the benefit of children. Again this should be a planning decision dependent on the demand in an area.

ACA is concerned that this review process is seeking to provide more services at lower cost which may not ensure the best outcomes for children, families, educators and providers.

Draft Recommendation 11.1

Governments should ensure, through regulatory oversight and regular audits by the Australian Skills Quality Authority, that Registered Training Organisations maintain consistently high quality standards in their delivery of ECEC-related training.

ACA supports this recommendation.