

# **Productivity Commission Draft Report on Childcare and Early Childhood Learning**

**Mission Australia Response**

**September 2014**

## Executive summary

Mission Australia welcomes the opportunity to provide feedback on the Productivity Commission's Draft Report on Childcare and Early Childhood Learning (the Draft Report).

Our comments focus on those proposals and recommendations which would primarily affect children who are vulnerable or at risk, as well as disadvantaged families and communities.

We welcome the proposal to simplify the payment systems, to provide greater support to those on low incomes and for the creation of grant funded services targeting disadvantaged children that are connected to an Early Childhood Education and Care (ECEC) service. Emerging evidence suggests that integration of services is an effective way to ensure that disadvantaged families are properly engaged and can have their needs met.

While the Commission has correctly identified that provision of quality early childhood education and care (ECEC) has a significant role in boosting workforce participation, predominately for women, Mission Australia is concerned that current proposals may not adequately recognise:

- The significant evidence that high quality ECEC acts as an early intervention strategy for children who are vulnerable and those from disadvantaged communities and so greater emphasis should be given to improving participation of these groups regardless of their parents' work status;
- Children who will benefit significantly from ECEC should not be denied access on the basis of parental capacity to work;
- The role of ECEC in supporting return to work (including job search activities) for people who are unemployed;
- The available evidence that strongly supports the importance of having highly qualified staff caring for children up to the age of three in order to ensure strong attachment between child and carer and to lay a foundation for learning; and
- Pre-schools need to remain within the National Quality Framework to improve the consistency of the currently fragmented ECEC system and ensure seamless transition for children.

Proposals that would limit access to a fee rebate for those who are unemployed (such as the participation test), withdrawal of programs like Jobs Education and Training and the financial hardship provisions that currently apply and requirements that families are registered with child protection authorities could all lead to a reduction in ECEC participation by those who stand to benefit from it the most.

While some of these measures may be designed to provide a work incentive (because the subsidy would only be available to people who meet the activity test) or simplify the existing system (such as

removing pre-schools from the National Quality Framework), in practice they could undermine the substantial role that ECEC plays as an early intervention and prevention strategy.

Equally, as the findings of the PwC modelling has shown, the benefits to GDP of increased participation of vulnerable children are calculated to be more than double the value of increased workforce participation.<sup>i</sup>

Any questions regarding this submission or requests for further information should be directed to Marie Howard, National Practice Lead Early Learning Services, or Amanda Robbins, National Manager Research and Social Policy,

## **Mission Australia – About us**

Mission Australia is a Christian community service organisation that has been helping people towards independence for over 150 years. Alongside our partners, we help people through early learning and youth services, family support and homelessness initiatives, employment and skills development, and affordable housing. Together we stand with Australians in need, until they can stand for themselves. Our 572 services across metropolitan, rural and regional Australia, in every state and territory, assisted 279,000 individuals and 12,000 families in 2013.

Mission Australia Early Learning (MAEL) was founded in 2009 when Mission Australia bought 29 childcare centres operating predominantly in areas of disadvantage where a high percentage of children are considered to be developmentally vulnerable, according to the Australian Early Development Index (AEDI). These centres were former ABC Learning centres located in New South Wales, the Northern Territory, Victoria, South Australia and Western Australia. In May 2012, MAEL was chosen to provide 21 Department of Defence long day care and before and after school services.

Mission Australia provides kindergarten, before and after school care and integrated service centres. In New South Wales; Mission Australia also provides family day care (FDC) as well as providing early intervention and prevention services in a variety of settings, including Communities for Children (CfC) sites, as well as other children's community services.

In addition to MAEL, we are also part of Goodstart Early Learning, a not-for-profit consortium made up of Mission Australia, The Benevolent Society, The Brotherhood of St Laurence and Social Ventures Australia. The consortium operates more than 660 former ABC centres nationwide although Mission Australia has no role in the direct operation of these centres.

## Specific responses to the Draft Report

### Single means tested payment

Mission Australia welcomes the proposal to simplify the systems of rebates and payments where greater support is provided to people on lower incomes.

While we are yet to complete the modelling of the impacts of the PC proposals on our own ECEC services (including the options for tapering support as incomes rise, the rolling in of multiple benefits, the access to 100 hours of uncapped care) it is our view that Option 1 is likely to be preferable to other options. It will maintain a level of universal support so that all children can have access to ECEC irrespective of their circumstances and will improve affordability for the largest number of people, while increasing support for those on lower incomes.

### *Deemed rates*

Mission Australia has no objection to the principle of using deemed rates to provide an effective cap on the amount that providers could charge above the net costs of provision of services and to prevent government subsidies being used to provide 'premium' services. However, calculation of deemed rates would need to take account of the following:

- Market testing would be required to ensure that the deemed cost does not erode affordability by increasing out of pocket costs for high quality ECEC;
- A mechanism would need to be built in to account for variable input costs (particularly the significant difference in costs between major cities and regional areas, for example);
- The deemed cost should be sufficiently high to allow people on low-incomes (including those accessing up to 90 per cent rebates) to access ECEC in high cost locations, particularly as these are also likely to be areas of employment growth; and
- The deemed cost should recognise that ECEC is a low margin operation and that there is little evidence to suggest government is currently subsidising widespread use of 'premium' services.

### ECEC as an early intervention strategy

It is well documented that participation in quality ECEC has lasting benefits for children across a range of life domains, including cognitive, emotional and physical wellbeing and that the benefits accrued in childhood remain into adulthood.

For children from disadvantaged backgrounds, a quality early learning curriculum can narrow social inequality, address significant learning deficits in the home and prevent them from starting ten steps behind their classmates when they begin school. Research has found that the social gradients in language and literacy, communication and socio-economic functioning emerge early for children across socio-economic backgrounds, with those from disadvantaged and low-income families at greater risk of poor developmental outcomes.<sup>ii</sup>

Importantly, ECEC services also have the capacity for the early identification of children and families at risk and can provide referral and linkages with additional services and supports.

Yet the children who are likely to benefit the most from ECEC, are paradoxically the least likely to participate.

Children from low income households have been found to be approximately twice as likely as children from high income families not to participate in formal early childhood education in the year before full-time schooling.<sup>iii</sup>

Data from the Australian Bureau of Statistics breaks this down further to show children most likely to be affected by child poverty or social exclusion (Indigenous children, children from non-English speaking backgrounds, children with disability and children in families not in work) are those least likely to use ECEC services.<sup>iv</sup>

It is crucial that design of ECEC subsidies to support workforce participation does not create barriers for these groups to engage in ECEC. However, subsidies alone are insufficient to engage these groups.

#### **Proposed measures to encourage access by vulnerable children and those with additional needs**

Mission Australia welcomes the recognition in the Draft Report that a number of measures are needed to encourage participation in ECEC by vulnerable children including the creation of a Special Early Care and Learning Subsidy (SECLS) to cover the entire cost of care for targeted groups, a grant funded Disadvantaged Communities Program and the once-off Inclusion Support Program.

The design of these initiatives needs to account for:

- The current barriers and costs faced by disadvantaged groups in accessing quality ECEC which lead to their under-representation in ECEC services;
- The proportionally higher development benefit to children from disadvantaged backgrounds of participating in quality ECEC in comparison to other groups; and
- The significant economic and social benefits to the community through improved outcomes from disadvantaged children participating in quality ECEC.

#### *Special Early Care and Learning Subsidy*

Mission Australia supports the notion of an additional top-up supplement for those children with additional needs and full fee cover for children at risk of neglect or abuse. However, we are concerned about how the proposed 'caps' would apply – whether this would exclude people who were genuinely in need of the additional support – and question the mechanism proposed to identify the groups that can access to the SECLS.

We would also be concerned that this support is time limited for those at risk (proposed as initially 13 weeks with further assessment by a State Government Department with the potential to extend to 26 weeks).

Requiring families to be in contact with child protection services in order to qualify for additional support will stigmatise families who are already reluctant to participate. Equally, as the child protection system is operated by State governments, it would likely be administratively complex to receive approvals for a child to access a Commonwealth rebate, and there are likely to be inconsistencies between states.

Requiring a child to have a diagnosed disability to access the support is also likely to be problematic.

The experience within Mission Australia's pre-school in Miller, which currently operates a number of programs for children with disabilities in conjunction to the pre-school, is that the requirement for a diagnosed disability to access subsidies creates an additional barrier and delay for access to pre-school.

Vulnerable families that are often under-represented in using ECEC include those on low-incomes, sole parents, Indigenous families, those experiencing homelessness or unstable housing, those with a disability, mental or physical health issues or those who have been in contact with child protection services.

Mission Australia would recommend that the criteria for access to SECLS should be expanded, particularly if the PC adopts the proposal to remove the current access to a subsidy for 24 hours of care without being required to meet an activity test. (See *Work, Study or Training Test*).

#### *Disadvantaged Communities Program and Integrated Service Provision*

Mission Australia strongly supports the notion of grant funding specialist services linked to ECEC which are designed to provide additional support to highly disadvantaged groups.

These services can fulfil a dual purpose – improving participation in ECEC by disadvantaged groups and acting as an early intervention point to improve access to more intensive services where they are needed.

The Australian Research Alliance for Children and Youth (ARACY) recognises that an integrated approach is the most efficient way of promoting child development, ameliorating family risk factors and enhancing child and family wellbeing.<sup>v</sup>

Integrating services can also help boost participation of at-risk families in early intervention programs by offering a non-confronting entry point (as opposed to child protection services) and the use of existing infrastructure can help to improve access in regional communities where it would be difficult to justify funding a stand-alone service.

Well-designed wraparound services can also help aid attendance and retention in early learning when families are in hardship or difficulty.

## Mission Australia's Secure Families

Playford Secure Families is a model Early Intervention service integrated into an Early Learning Centre in Elizabeth Vale in South Australia, which works with parents and their children. The three tier support program includes a free weekly playgroup, confidential support and volunteer in home support, with referrals from the Centre when staff identify family difficulties which could prevent the child attending.

### *Other strategies for engaging vulnerable groups*

In addition to integrated service provision, there are a range of measures which could improve the participation of vulnerable groups to maximise the benefit of government investment.

Mission Australia would recommend that grant funded services should be rolled out in specific communities (particularly low socio-economic areas) where the desired outcome is to increase the level of participation of particular groups but where the design is tailored for that location.

Elements that could form part of a service model include the following:

- Home visiting is frequently being used within community services to build engagement with families and improve understanding of the home environment and pressures of that family;
- Outreach and mobile units are also particularly useful for rural and remote settings;
- One-stop-shops, providing jointly delivered or co-located services (See *Mission Australia Centre Kingswood* below);
- Soft entry points – culturally appropriate parenting groups, or a toy library, for example, can provide an easy and non-confronting engagement tool that may lead to more formal engagement in ECEC or referral to other services; and
- Giving target groups the opportunity to participate in the design and operation of the service, including training for community members to allow them to participate in the operation of the service.

## Mission Australia Centre Kingswood

The MAC Kingswood which opened in late 2012 is an integrated children and families 'hub' which provides services ranging from homelessness interventions through to mainstream family day care. A small number of community housing properties are co-located and they are rented out to families at risk of homelessness by Mission Australia Housing, while homeless support services offered on site also support families in other community housing properties scattered in neighbouring suburbs. Play groups operated at the MAC Kingswood provide an informal setting to improve parenting and the family day care managed on site gives access to early learning for a large number of children. These services also act as a non-threatening entry point for more intensive services.

More than 1000 families and children access the MAC Kingswood each year and it is currently the subject of a longitudinal study to track the outcomes for families and their children.

There are also good arguments for retaining population specific services for some groups to improve their participation, including Aboriginal and Torres Strait Islander families. Mission Australia supports ongoing grant funding for these ECEC services.

The most effective service models that engage Aboriginal and Torres Strait Islander communities and families apply four key principles:

- The use of innovative governance structures;
- Fostering an empowering culture;
- Supporting identity and culture; and
- Services are holistic and responsive.<sup>vi</sup>

There is also evidence that fostering Aboriginal and Torres Strait Islander leadership and ownership of services leads to better service delivery outcomes and greater benefits to Aboriginal and Torres Strait Islander children and their families.<sup>vii</sup>

Children from culturally and linguistically diverse backgrounds, particularly recent migrants who speak English as a second language, are also more likely to be vulnerable and the absence of formal participation in ECEC can place a greater strain on transition into school, compounding disadvantage. Groups including recent migrants, as well as refugees, are likely to have lower levels of understanding of the Australian ECEC system.

Cultural norms around the care of children by people outside the immediate family or community, and the need to disclose private information to an ECEC provider can also increase reluctance to participate in ECEC.

Integrating ECEC with other culturally appropriately support services (or at minimum strengthening referral links between them), as well improved education within community services targeted at



culturally and linguistically diverse (CALD) groups regarding the benefits of ECEC for child development are important strategies to improve participation rates of CALD children in ECEC.

### **Work, study or training test**

The proposed work, study or training test could prevent vulnerable children from accessing quality ECEC even though such children and the community would benefit most from their participation.

Estimates that 100,000<sup>viii</sup> people (based on figures of the number of people receiving only the means tested childcare benefit) are likely to be excluded under the new activity test suggest that a substantial number of people on low incomes and who are unemployed would be excluded.

Mission Australia supports the current arrangement where parents can access a set number of hours without an activity test. At minimum, this should be consistent with the pre-school universal obligation requirements of 15 hours per week without any activity requirement but preferably retained at 24 hours and means tested as is currently the case.

While there is some logic to providing additional supports only to targeted disadvantaged groups (including children with a disability and those deemed at risk of abuse or neglect), the reality is that whilst disadvantage is often concentrated, children who are vulnerable can be found in any community and so a combination of universal and targeted support is needed.

Maintaining a basic level of universal access is necessary to ensure that ECEC fulfils its vital early intervention and prevention function.

If a base number of hours is available without the activity test, then low income families would likely only pay a maximum of 10 per cent of the cost under the proposed model, if they did not qualify for the SECLS, as opposed to 100 per cent of the cost if they fail the work test.

The cost of care is a significant factor in parental decision making and this is particularly pertinent for low income families who have fewer financial resources to purchase care.<sup>ix</sup>

Mission Australia's survey of parents (2013/14) also showed that price (or cost) was a more significant factor in decisions about reducing ECEC usage for parents living in low socio-economic areas, than for parents in more affluent areas.

The work, study or training test is also in effect duplicating and complicating the mutual obligation and participation measures built into the welfare system. People accessing income support, including Newstart Allowance and Youth Allowance, are already required to meet stringent activity obligations.

The proposed activity test could also have the perverse impact of creating an additional barrier to participation for those who are looking for work, working part-time or in casual work and seeking to increase their hours, even though the Commission's explicit goal is to increase participation.

Currently, many ECEC providers require a regular ongoing commitment to a number of hours or days of care but casual workers and people on short term contracts could be left in a situation where they will not be confident they would meet the required participation tests to access a subsidy so decide not to enrol their child, or having committed to ECEC, be left to pay 100 per cent of the cost if they fall below the work requirements.

The proposal to remove the Jobs Education and Training Child Care Fee Assistance (JET) heightens this risk, as this program ensures that people can have access to fully funded childcare while they improve their training and employment prospects. JET has been particularly useful for single parents, who would not automatically meet the criteria for exemption to the activity test.

For people who are unemployed and looking for work, ECEC will be completely unaffordable without access to a significant rebate.

While the Commission notes the concerns raised in some submissions about children whose parents are seeking to work being displaced by a child whose parents are not working, it would be our view that the current allocation rules already give priority to people based on their involvement in work.

When combined with the a narrow focus of the SECLS (limited to children with diagnosed disabilities and children in contact with child protection system) the activity test has the potential to undermine the goal of increasing participation of vulnerable groups.

### **Qualifications for carers working with children three and under**

Mission Australia does not support the Commission's recommendation to reduce the level of qualifications required by carers working with children up to the age of three or for the reduction in ratios of early childhood teachers.

There is a substantial body of evidence to demonstrate that more highly qualified staff are able to engage in better quality interactions with infants<sup>x</sup> and that this is a significant determinant of long term achievements, more so than any other factor.<sup>xi</sup>

If anything, the levels of qualification required to work with children up to the age of three is more critical than for older age groups because of the significant brain development that occurs during this time.

While the benefits of highly qualified staff will be felt by all children, this will be particularly important for vulnerable and disadvantaged children and for the ability of ECEC to be at the forefront of early intervention.

More highly qualified staff are more skilled at identifying children at risk, experiencing development delays or behaviour problems and do so more quickly. This in turn ensures prompt intervention.

### **Maintaining pre-school within the National Quality Framework**

Australia has a very fragmented system of ECEC in comparison to other countries, with subsidies and supports split between Commonwealth and State, long day care and pre-schools.

By bringing all of these systems under a single quality framework, it was intended that children would receive a comparable standard of ECEC irrespective of the setting.

This was also intended as part of delivering a seamless system for parents as their children move through different forms of ECEC.

Mission Australia supports the National Quality Framework being maintained for pre-schools that are regulated by the States in order to preserve the minimum standards.

### **Impacts on Family Day Care**

Mission Australia would recommend that the Commission conduct some detailed analysis of the potential impacts on family day care (FDC) schemes as a result of the proposed changes, noting that the government has already reduced funding to this area in the 2014/15 budget and it is possible that the Commission's proposals would render some schemes unviable.

Currently FDC offers a service that is generally more affordable and more flexible than long day care, where both the operator and educators are subject to the National Quality Framework and significant regulatory accountability.

Any change which damages the current system of FDC is likely to have a greater impact on lower income families (because of the lower price point), as well as the employment opportunities for educators themselves.

The PC proposal to extend subsidies to nannies without requiring the same level of systemic accountability could also lead to an uneven playing field.

Where FDC is operated by a central scheme, there are opportunities for improved referral to other services and improved supports for both educators.

FDC could find itself priced out of the market at the top end by long day care as FDC prices are forced to rise, because of the removal of the Community Support Program. As was noted earlier, low-income families are more price sensitive, so this is likely to lead to a withdrawal from ECEC.

On the other hand, extension of a rebate to nannies with no requirement to participate in an accredited scheme could undercut the existing FDC providers and result in lower quality ECEC for children.

FDC providers have invested heavily to meet the requirements of the NQF and the costs associated should also be included in the calculations of 'deemed rates' so as not to place them on an uneven footing with either long day care or nannies.

If rebates are extended to care provided by nannies, they should be required to meet an equivalent standard – including regulations on the use of premises, work health and safety, food safety and other requirements for FDC.

### **Grandparents caring for grandchildren**

Mission Australia operates a small number of services to support grandparents who are the primary carers of their grandchildren. In most cases these are people on low incomes who have taken on caring responsibilities because their own children were unable to.

Grandparents play a critical role in kinship care for families that are under stress, both formally e.g. through out-of-home care, foster care and adoption, and informally.

In 2012, almost 41,000 children and young people across Australia were the subject of care and protection orders issued by child protection authorities and more than half of those placed in home-based care are with relatives or kin—mainly grandparents— rather than with non-related foster carers.<sup>xii</sup>

In many cases grandparents are providing support that would otherwise be an additional cost to the State.

Any changes to the ECEC subsidies for children under the care of their grandparents should be designed to improve, not limit, access to ECEC.

While most policies are targeted at parents, it is critical that grandparents are not ignored as their needs and experiences of raising children are often very different.

Research both domestically and internationally suggests that grandparent-led families are financially disadvantaged in comparison to other families and often find it difficult to access government supports for which parents are eligible. This is particularly acute where grandparents are providing almost permanent but informal care (i.e. there is no child protection determination, family court ruling or adoption).

Relying on a legal definition of ‘primary carer’ to access support would exclude or delay a significant number of children from ECEC support who are currently cared for by their grandparents.

The additional responsibility often requires changes to housing and employment which can have a significant impact on the family’s income and expenses, at a time when the grandparent is likely to be in poorer health than other parents simply because they are relatively older.

Access to subsidies for quality ECEC is very important for these families. They should be exempt from any activity test (though still subject to means testing) and consideration should be given to including these families within the SECLS top-up subsidy.

In our experience even a small increase in fees (assuming that grandparents could access a subsidy of 90 per cent) would have a significant impact on low income grandparents (particularly those

relying on income support payments) because there are already structural problems which delay their access to other supports available to parents.

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<sup>i</sup> PricewaterhouseCoopers (PwC) (2014) *Putting a value on early childhood education and care in Australia*, Sydney.

<sup>ii</sup> Harrison, L.J., Goldfeld, S., Metcalfe, E. & Moore, T. (2012). *Early learning programs that promote children's developmental and educational outcomes* (Resource sheet no. 15). Produced for the Closing the Gap Clearinghouse. Canberra: Australian Institute of Health and Welfare & Melbourne: Australian Institute of Family Studies.

<sup>iii</sup> Baxter, J. and Hand, J. (2013) *Access to early childhood education in Australia* (Research Report No. 24). Melbourne: Australian Institute of Family Studies.

<sup>iv</sup> *Report on Government Services 2013* Steering Committee for the Review of Government Service Provision; 2013 P.45.

<sup>v</sup> Brechmans-Toussaint, M and Kogler, E (2003) *Review of international and national integrated services models for young people in the preadolescent years: benefits, barriers and enablers*, Paper prepared from ARACY Seed Funding Collaboration.

<sup>vi</sup> Secretariat of National Aboriginal and Islander Child Care (SNAICC) (2012) *Improved Outcomes for Aboriginal and Torres Strait Islander Children and Families in Early Childhood Education and Care Services: Learning from Good Practice*, Melbourne.

<sup>vii</sup> Secretariat of National Aboriginal and Islander Child Care (SNAICC) (2012) *Improved Outcomes for Aboriginal and Torres Strait Islander Children and Families in Early Childhood Education and Care Services: Learning from Good Practice*, Melbourne.

<sup>viii</sup> Department of Education Portfolio Budget Statement 2014-15.

<sup>ix</sup> Grace, R., & Bowes, J. (2010). *Barriers to Participation: The experience of disadvantaged young children, their families and professionals in engaging with early childhood services. Report to the NSW Department of Human Services*. Sydney: Institute of Early Childhood, Macquarie University, Sydney.

<sup>x</sup> Degotardi, S. (2010) *High quality interaction with infants: relationships with early childhood practitioners' interpretations and qualification levels in play and routine contexts*, International Journal of Early Years Education, 18 (1), 27-41.

<sup>xi</sup> Saracho, O. and Spodek, B. (2007) *Early childhood teachers' preparation and the quality of program outcomes*, Early Child Development and Care, 17 7 (1), 71-91.

<sup>xii</sup> Australian Institute of Health and Welfare quoted in Brennan, D et al. (2013) *Grandparents Raising Grandchildren: Towards Recognition Respect and Reward*, SPRC, UNSW.