

9/2/2024

Submission to Productivity Commission Enquiry – Early Childhood Education and Care

Response to “A path to universal early childhood education and care” draft report

Keir Paterson, CEO, Neighbourhood Houses Victoria

Neighbourhood Houses Victoria (NHVic) is the peak body for Neighbourhood Houses (NHs) in Victoria. There are over 410 NHs across Victoria, visited in an average week by 155,000 Victorians. Neighbourhood houses employ 5,500 staff across Victoria supported by 7,000 volunteers weekly.

Neighbourhood Houses (NHs) in Victoria have long been providers of occasional care. As small not for profit and community-based providers, they are regulated under the Victorian State Government Children’s Services Act. While occasional childcare tends to be used less for workforce participation than long day care, it is often essential to obtaining skills, including English language, and confidence to participate in the labour market.

Neighbourhood Houses Victoria’s (NHVic) initial submission highlighted issues associated with the sustainability of Occasional Childcare (OCC) Services in Victoria, particularly those managed by Victorian Neighbourhood Houses. The submission highlighted the steep decline in the number of these services as the current system limits access to CCS and other funding despite their presence in thin markets.

In short, the last 12 years have seen the number of Victorian Neighbourhood Houses offering this service decline from around 150 in 2011 to just 72 as at December 2023.

Of these remaining centres:

- 34 are in disadvantaged postcodes (8 fewer than this time last year) with 21 of those in the lowest 30% on the SEIFA index for relative disadvantage
- 9 are in small country towns (4 fewer than this time last year), most of these towns have no alternative centre-based childcare.
- 10 are in towns with a population between 3,000 and 10,000
- 5 are in regional centres over 10,000 population

- 46 have a total income from all sources less than \$500,000 and 15 of those have income less than \$250,000
- Only 7 are also long day care providers
- The greatest loss of Victorian NH run childcare is in disadvantaged and rural settings - most rural locations are disadvantaged socio economically. Last year, for example, Murtoa and Meredith NHs closed their childcare programs.

This submission will comment on measures in the draft report that we believe are essential to the survival of the remaining OCC providers, especially those in thin markets.

Draft Recommendation 5.1: Provide additional support for persistently thin markets

In Victoria (and likely elsewhere), there is strong correlation between rurality and socioeconomic disadvantage. These intersect so that small rural locations are often at the lower end of the SEIFA indices. A small number of Neighbourhood Houses received CCCF grants for Sustainability support for underserved areas. They report these grants are vital to their viability. Most that do not receive these grants are cross subsidising their childcare provision to remain operating, but this is becoming more tenuous with rising costs across their entire operations.

Draft Recommendation 6.2: Give all children an entitlement to up to 30 hours or 3 days a week of subsidised care without an activity requirement and lift subsidy to 100% of the hourly rate cap if annual family income up to \$80,000

NHVIC supports this recommendation for the reasons articulated by the Commission. We note that Neighbourhood Houses are attended disproportionately by people experiencing disadvantage and those attending education and training often experience multiple forms of disadvantage¹. While the recommendation will benefit many children, for parents using services like those operated by Neighbourhood Houses, there is an increased likelihood of support and referral to other services as required. In 2022, the average Neighbourhood House made 33 referrals to other services each month².

Draft recommendation 7.5: Ensure occasional care is available where needed

An ECEC Commission (draft recommendation 9.2) should be responsible for advising on the need for additional investments in occasional care and the communities in which these services are needed. Where additional investments are required, funding should be available through a more flexible Community Child Care Fund.

NHVIC supports the intent of this recommendation. The former Neighbourhood Model Occasional Care program, where occasional ECEC was funded jointly by the states and commonwealth, supported 124 Victorian Neighbourhood House Occasional ECEC services but was axed by the federal government in 2011. The cost of the program was under 2 million dollars for Victoria with the commonwealth contributing 55%. This low-cost program demonstrated that, with modest funding support, the unique viability challenges of offering occasional ECEC can be addressed to ensure sustainable service supply. While some changes have occurred subsequently that add to these challenges, they are more universal in nature such as staffing challenges. In Victoria, the

¹ <https://content.vic.gov.au/sites/default/files/2020-12/Pre-accredited-Learner-Journey-Participation-training-outcomes-and-patterns-in-the-Victorian-pre-accredited-sector.pptx.pdf>

² [2022 NH Survey Report.pdf - Google Drive](#)

introduction of 3-year-old kinder, while a very welcome development for educational outcomes, has led to an increase in the proportion of under-3s in occasional care, requiring higher staffing ratios.

The success of the Neighbourhood Model Occasional Care program, known as Take a Break in Victoria, in supporting the availability of occasional ECEC for many years suggests that targeted funding is effective, and that removing this support contributed to the subsequent decline of occasional ECEC.

In 2022, 37% of Victorian Neighbourhood House providers of occasional ECEC reported financial viability as one of their top three challenges.

However, for Victorian Neighbourhood House providers of occasional ECEC, the requirement to be operational for 48 weeks of the year is a major barrier to CCS funding and associated grants. The 48-week requirement appears to be based on a system designed for full time work or study. However, many cohorts need occasional ECEC to support participation in school hours based part-time employment, gig work, part time study such as English language courses as well as families affected by poor health or wellbeing.

A number of Neighbourhood Houses that offer occasional ECEC operate for 40 weeks/year in line with school terms. This intentional alignment enables parents to gain vital skills, such as English language or digital literacy, while still being available for school aged children during school holidays. The same applies to the increased numbers of workers with more flexible arrangements, and importantly, for ECEC staff. These Neighbourhood Houses are ineligible for CCS and CCCF and many are unviable, requiring cross subsidisation from other activities.

Currently only 52% of Victorian Neighbourhood House providers are approved for CCS.

NHVIC recommends aligning the minimum number of weeks of childcare provision required for CCS eligibility with the school year at 40 weeks.

Information request 7.4 The Commission is seeking information about the availability of ECEC on an occasional basis. What barriers, if any, do services face in providing this type of care? How might these be resolved? Are families' needs for this type of care going unmet?

To remain viable, Victorian Neighbourhood House occasional ECEC providers operate with ongoing bookings to ensure sufficient utilisation. In effect the service is a limited hours service with some capacity for occasional use. This meets the need for cohorts outlined above. The Commission has also noted at Draft finding 7.5 that "Over 10% of children who attended CBDC in 2021-22 did so for an average of less than six hours a day in at least half of the weeks they attended".

This suggests that a significant proportion of long day care clients may be seeking services such as those offered by Victorian Neighbourhood Houses, operating as limited hours services. Ensuring these service types are eligible for CCS by changing the minimum weeks of operation requirement from 48 to 40 and supporting their viability through a fund as per Draft Recommendation 7.5, would potentially reduce or eliminate the inefficient "air pockets" identified by the Commission, redirecting users to a more suitable form of ECEC and freeing up capacity in long day care.

Some Neighbourhood Houses report they have waiting lists and others don't. The factors affecting demand seem to vary but are influenced by the availability of free three-year-old kinder, demographic change and reputation which can be affected by labour supply shortages.

The CCCF as a vehicle to address practical barriers to ECEC access

- Do CCCF grants adequately and effectively respond to the various practical barriers (such as transport or food provision) that families face in accessing ECEC?
 - Is the current frequency (that is, grant rounds every 2–3 years) and funding amount available to services for community-level supports sufficient? If CCCF is not accessed for this purpose, are services receiving funding for this elsewhere?
- If the current CCCF does not adequately and effectively respond to these needs, what funding changes are needed? Options could include:
 - a more flexible approach through CCCF, with an open pool of funds that could be applied for as needed and available to all services, provided they demonstrated community need in their application
 - an expansion of the Inclusion Support Program,

ECEC is provided in Neighbourhood House alongside a wide range of other services, many of which support vulnerable families and those that are disadvantaged in their communities. For example 71% of Neighbourhood Houses provided food relief, 32% provide other material relief and 55% provide adult education courses.

All neighbourhood houses provide programs to promote social connection and community cohesion. Lack of occasional care at these facilities limits participation of women in these programs. A study by the British Red Cross³ found that more than eight in 10 mothers (83%) under the age of 30 had feelings of loneliness some of the time, while 43% said they felt lonely all the time. A 2018 Australian study found a quarter of all Australians experience loneliness⁴. According to the Australian Institute of Health and Welfare⁵, “as of 2021, 1 in 4 females aged 15–24 agreed with the statement ‘I often feel very lonely’”,

In this Neighbourhood House context, CCCF is usually applied for to maintain availability of a ECEC service in the sustainability support category. In this context at least, the grant frequency should be extended.

³ <https://www.redcross.org.uk/about-us/what-we-do/we-speak-up-for-change/lonely-and-left-behind>

⁴ [The impact of loneliness on the health and wellbeing of Australians | APS \(psychology.org.au\)](#)

⁵ [Australia's welfare 2023 data insights \(aihw.gov.au\)](#)