

SUBMISSION TO THE PRODUCTIVITY COMMISSION

REGARDING CHILDCARE AND EARLY CHILDHOOD LEARNING INQUIRY

The Business Council of Co-operatives and Mutuals (BCCM) was formed on 29 July 2013 to represent the interests of the co-operative and mutual sector nationally on a range of issues that impact on this important and growing sector of the Australian economy.

The co-operative and mutual sector

Co-operatives and mutuals have a long history of contributing to the development of economic and social welfare in Australia.

Co-operative and mutual member-based businesses in Australia play a significant role in our economy providing;

- services to consumers (buying and selling goods to members at a competitive rate);
- marketing (branding, marketing and distributing members' products and services, particularly in the agricultural sector);
- services (providing services to members, such as health, childcare, electricity, travel, housing and roadside assistance services); and
- contributing to social capital (education resources and information and skill sharing that encourages ownership and participation).

Financial co-operatives comprise credit unions, mutual building societies and banks and friendly societies.

Co-operatives and mutuals strive to encourage and develop principles of self-help, sustainability and democracy through community engagement and ownership. They conduct their businesses in the context of co-operative principles.

The co-operative principles were developed by the International Co-operative Alliance and they are enshrined in the legislative framework of co-operatives legislation in Australia. The seven principles, in summary, are:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Co-operation among co-operatives
- Concern for community

Co-operatives aim to generate a profit or surplus and like other business enterprises they must make prudent business decisions. However, profits from the co-operative enterprise are channeled back into the co-operative in the form of improved services or lower costs to users. This method of doing business is in stark contrast to the imperative of profit maximization for the benefit of remote or disengaged shareholders that is characteristic of other corporate entities.

Co-operative requirements for 'active membership' together with democratic control enables the co-operative to better satisfy members' needs because of the high degree of community engagement. This combined with the fact that there is no corporate imperative to send profits to shareholders leads to lower costs.

This sector of the economy underwent a period of decline in Australia and overseas in the late 20th Century. However, their resilience during the global financial crisis and the greater awareness of these organisations in 2012, the United Nations' International Year of Co-operatives, has served to refocus attention on this model of doing business and providing services.

Co-operatives and mutuals are the 'quiet achievers' in the Australian economy. There are over 1700 registered co-operatives in Australia. Despite the relatively small number of co-operatives compared with companies, eight in ten Australians are members or customers of a co-operative or mutual. However, understanding of the nature of this means of doing business and its potential is not widespread.

The perceived low profit return measured in dollars tends to discount these entities as robust or significant contributors to productivity when viewed from the perspective of capital investment. Such a perception is a narrow one and ignores the fact that the co-operative business model can deliver the best result for its community of users. The tendency of profit oriented business models to exit from an industry or a region when profits are not available can lead to an erosion of services and employment for many communities.

Co-operatives and mutuals deliver high levels of customer service and satisfaction largely due to their reinvestment in the services to their members. Members of co-operatives and mutuals tend to get the best service at the best price from the organisation that they own. Moreover, in communities or markets where the potential for profit taking is either low or non-existent a co-operative community owned entity is likely to be the only viable means of providing services.

Child care and early childhood learning inquiry

The BCCM supports the submission of the Business Council of Australia that policies which optimise children's learning are important to enable all children to grow and develop into productive members of the workforce as well as providing support for working parents to continue their participation in the workforce.

The BCCM also notes and concurs with the ideals for a best practice model of early childhood education articulated by the NSW Children's Services Forum and supports that organisation's argument for a review of federal funding models for childcare.

It is the view of the BCCM that issues of affordability and availability of high quality child care services across all sectors of the community is a matter of great

importance. The BCCM believes that the Productivity Commission should consider the important role that co-operatives perform in childcare service delivery and how the co-operative model can contribute to the resolution of these important issues.

Recent research on federal child care funding models notes that despite increases in government assistance for childcare since 2001, families still experience difficulties in accessing and affording childcare. It was noted that improvements in affordability as a result of higher childcare payments to parents were short lived as these benefits were absorbed through higher costs charged for services. Further, the availability of childcare in low social economic, rural and remote areas continues to be a problem for families seeking to return to or remain in the workforce.

Whilst the current funding model provides portability of childcare assistance enabling families flexibility in their choice of childcare services, the value of portability can be eroded when childcare service availability is left only to market forces.

The BCCM acknowledges that competition in the provision of services can be a force to encourage quality and efficient pricing. However, the provision of childcare services requires the application of broader social welfare principles to ensure equitable access. The co-operative model can and does manage to provide equitable access to childcare at lower prices in a long-term, sustainable manner.

Active membership requirements unique to the model, enable co-operatives to tap into broad resources within their community of members. A typical childcare co-operative will be governed by a board of parent members and membership rules will generally require specified volunteer duties, sometimes in exchange for fee or levy reductions. Greater member involvement provides a strong communication channel to better identify the community's needs.

The potential for greater participation from parents in their child's care and early education through a co-operative is consistent with the principles contained in the National Quality Framework for early childhood education and care. Together with lower costs and community ownership, co-operatives are well equipped to meet the challenge of accessible and affordable high quality childcare.

Childcare co-operatives in Australia

In NSW there are 24 registered childcare co-operatives with a similar number in Victoria. There are also children and family services co-operatives in other States.

Childcare co-operatives are frontline service providers, such as the Eltham Child Care Co-operative (Victoria), Awabakal Newcastle Aboriginal Co-operative (NSW). The fees for childcare are moderated by the ability of the co-operative to rely on parent members to provide volunteer assistance as part of their active membership and the fact that there are no obligations to pay dividends to shareholders.

There are also co-operatives providing broad based professional services to childcare centres. The Community Child Care Cooperative Ltd provides administrative, training, and advocacy services to not for profit child care entities. The Ethnic Child Care, Family and Community Services Co-operative in Sydney provides professional assistance and training for frontline service providers to

improve access and services to ethnic and disabled groups across Sydney. Both of these co-operatives have been in operation since the 70's and they are owned by their members who are childcare providers. These entities support individual childcare providers to achieve best practice service delivery at the lowest price because they co-operatively share resources and again, do not have obligations to capital investors.

Overseas childcare co-operatives

There are many overseas examples to demonstrate that co-operatives either as primary childcare providers or as service providers to childcare enterprises are capable of delivering high quality childcare at lower costs. Research into co-operative childcare models identifies them as being better placed to recognise and serve their community's needs because of the greater level of engagement between the co-operative and its users.

New Zealand

The Federation of New Zealand Playcentres is the peak representative body for 33 regional associations of Playcentres. Each regional association comprises from 20 up to 40 individual co-operative Playcentres making it the largest network of childcare providers in New Zealand. Playcentres have high levels of engagement with their parent members who have opportunities to participate in the delivery of childcare services and who have access to resources to help them as parents of young children.

United Kingdom

Co-operatives in the United Kingdom play a significant role in the delivery of childcare. A prime example co-operative childcare service delivery can be seen in the Midcounties Cooperative. This co-operative has grown exponentially since 2004 and now operates 50 co-operative child care centres in the greater London, south and midland counties under principles of democracy, openness, equality and social responsibility. Profits from the delivery of child care services are used to improve childcare services or are repaid to members by way of discounts meaning parents are able to access high quality childcare at a lower price.

Canada

Recent Canadian research on co-operative childcare listed the following advantages of this model:

1. Childcare co-operatives provide benefits to both governments and users in third sector delivery of social services.
2. Co-operative childcare has certain financial advantages in that any surpluses are reinvested in the enterprise.
3. Co-operative childcare has advantages for staff in terms of its integration.
4. Co-operative childcare fosters parental participation which can also deliver better outcomes for children.
5. Co-operative childcare centres are better linked to the community.

Recommendations

The BCCM makes the following recommendations to the Productivity Commission's Inquiry:

- **That the Productivity Commission recognise the potential for co-operative childcare models to address affordability and availability of childcare and early childhood learning across all sectors of the economy.**
- **That access to high quality childcare and early childhood learning facilities must be available to all communities in a sustainable manner and that community engagement and ownership through co-operatives should be the subject of more thorough and focussed inquiry.**
- **Parents looking for childcare services should be informed of the differences between childcare provider models, perhaps through the mychild website (www.mychild.gov.au) to assist in the choice of service provider for their child.**

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