



The Hon Kate Ellis MP

Federal Member for Adelaide | Shadow Minister for Education | Shadow Minister for Early Childhood

3 February 2014

Childcare and Early Childhood Learning Inquiry
Productivity Commission
GPO Box 1428
Canberra ACT 2601

Dear Commissioner

Federal Labor welcomes the opportunity to provide a submission to the Productivity Commission's Inquiry into Childcare and Early Childhood Learning. However, we would like to put on the record our concern about the manner in which the Coalition Government has established this Inquiry, and the considerable angst it is causing to families and the sector that face a year or more of uncertainty about the future of existing rebates, programs and reforms that are currently in place.

Mindful of this, we urge the Commission to minimise this uncertainty by reporting back as early as possible, and that in framing its recommendations it detail what the consequences of any policy reforms would be on the cost of childcare for families and the impact on the sector.

We also ask the Commission to take into consideration the major reforms that have occurred and that are significantly progressed, and the success of these initiatives in reducing the out-of-pocket cost of childcare for Australian families, and driving significant improvements in quality childcare.

Over the past six years, the Federal Labor Government drove and delivered major reforms in early childhood learning and in childcare. These reforms focused on the need for quality, affordable, accessible and flexible childcare with major policy and program changes rolled out with the support of state and territory governments.

The Child Care in Australia report, released by the former Department of Education, Employment and Workplace Relations in August 2013, provides an accurate snapshot of reforms and programs, and highlights the success of a number of policies introduced by the Federal Labor Government between 2007 and 2013 (http://www.mychild.gov.au/documents/docs/Child_Care_In_Australia.pdf)

AFFORDABILITY

After government assistance, childcare fees went up at more than twice the rate under the Howard Government compared with Labor – according to the ABS Child Care Consumer Price Index - 5.3 per cent per year compared to 2.4 per cent per year. In 2007, under the former Coalition Government, the Child Care Tax Rebate only covered 30% of out-of-pocket costs up to \$4354 per child per year and the Rebate was only paid annually.

The Federal Labor Government increased the Child Care Rebate (CCR) from 30 to 50 per cent of out-of-pocket costs up to \$7500 per child per year and budgeted over \$22.1 billion in direct childcare assistance for families over the next four years, almost quadruple that of the former Howard government, to make sure childcare remains affordable.

In Government, Labor also gave families the option of claiming their Child Care Rebate payment fortnightly, halving upfront childcare costs at the time they are billed. Modelling showed that out-of-pocket costs for a family earning \$75 000 a year were reduced from 13 per cent of their disposable income in 2004 to 8.4 per cent in 2012.

QUALITY

The National Quality Framework has improved the quality of early childhood education and childcare through initiatives such as better child to staff ratios and new qualifications standards to give children the individual care and attention they need to reach their full potential. The research is unequivocal. The first five years of a child's life are critical to their development. It's a time when 90 per cent of brain development occurs, a time that sets up children for the rest of their lives, not just impacting on them now, but impacting social outcomes, future health outcomes and educational outcomes for years to come. All of the research, including OECD evidence (ref. Starting Strong III report), shows that qualified early childhood educators have a significant positive impact on early child development, including their social skills and preparing them for formal education.

The creation of the MyChild website, which publishes the National Quality ratings of childcare services as well as providing pricing and vacancy information about childcare services around the country, has given parents an unprecedented level of information about individual services so that they can make informed choices about the quality of childcare services for their children.

The National Quality Framework and Standards are the result of extensive research, consultation and deliberation resulting in the support of every jurisdiction at COAG. All state and territory governments are due to conduct a review of the National Quality Framework in 2014. This will examine whether the system has reduced regulatory burden for services and whether there are any unintended consequences associated with the new regulatory system. I encourage the Productivity Commission to take account of these findings.

WORKFORCE

In its November 2011 research report *Early Childhood Development Workforce*, the Productivity Commission noted that “the ECD workforce plays a crucial role in delivering the quality ECD services that, working in concert with Australian parents and other caregivers, help most Australian children to meet developmental milestones and to be well-prepared to enter primary school”.

Whilst a formal wages case was progressing, the Labor Government worked closely with the sector on initiatives to strengthen the workforce, including the allocation of over \$190 million to train and upskill staff by subsidising Certificate IIIs, waiving diploma fees and supporting early childhood teachers with their HECS debts and investing \$300 million to support more childcare services to boost wages of their educators. It is impossible for the government to have a sustainable workforce without addressing the low wages in the sector.

The Federal Labor Government recognised that a major part of quality early childhood education and care, is qualified, well paid educators. We share the concern of the sector, its staff and the families that use their services that the Coalition Government has broken its election promise that it would “honour funds contracted from the Early Years Quality Fund”, which has created uncertainty for the workforce and effectively reneged on pay increases for hundreds of lowly-paid workers in our community.

FLEXIBLE, ACCESSIBLE CARE

The record investment in quality early childhood education and care by the Federal Labor government saw an unprecedented increase in the number of childcare services and numbers of children accessing childcare, but the growth in services has still not kept up with the growth in demand. Under the Labor government, the number of children in childcare rose 30 per cent, the number of children in a formal preschool setting in the year before school almost doubled, the number of families using childcare rose 27 per cent and the number of services rose 40 per cent.

More needs to be done, which is why the Labor Government also funded trials to investigate ways to provide flexible childcare for a changing workforce, such as overnight and weekend care for shift workers, extended hours long day care and more out of school hours care. Labor had also provided a \$5 million Child Care

Accessibility Fund to help councils provide extra childcare services in areas of high demand. Sadly, this appears to be yet another of the Coalition's cuts undertaken before the government explained how it would address increasing waiting lists. We recommend that the Productivity Commission takes note of the evaluation of these trials and funding allocations.

CURRENT AND FUTURE NEED

The Productivity Commission has been asked to look at the contribution of childcare to workforce participation and child development, as well as alternative models of care. In doing so, we ask the Commission also consider related policies which the Coalition government has flagged.

In the Terms of Reference at 2 (l), the government has asked the Productivity Commission to look at interactions with relevant Australian Government policies and programs.

In particular, we ask the Commission to examine whether the funding proposed for the Coalition's new paid parental leave scheme could be distributed through an alternative scheme to achieve its objectives more effectively and equitably, and whether some of these proposed funds could be better utilised in the childcare sector.

In the Terms of Reference at 2 (d), the government has asked the Productivity Commission to consider types of care. Federal Labor has raised concerns about the Coalition government's proposal to extend the CCR to nannies and au pairs, without investing any new funds. Research has shown that nannies are the most expensive form of care, even if government assistance were applied, and would be out of reach of many Australian families. Noting that the Terms of Reference restrict the Commission to "options within current funding parameters", any new measures must not be progressed at the expense of families' existing childcare assistance. Without additional funding, nannies and au pairs can only come at the expense of services that low and middle income families rely on. We also believe that all government supported programs must adhere to quality standards and early education principles.

In considering new ways to improve access to and affordability of childcare, we urge the Commission to consider incentives for employers to provide childcare services, and ways that Government can make it easier for employers to provide such support. For example, we ask the Commission to look at ways of extending the Fringe Benefits Tax concession currently received by employers who provide childcare on site to employees, to employers who provide childcare off-site.

CONCLUSION

In framing its recommendations, we urge the Commission to avoid reforms that would adversely affect Australian families. We strongly reject any policy reform that results in increased out-of-pocket cost of childcare for families, or that diminishes

their ability to access quality childcare. We especially reject any changes that could have an adverse impact on vulnerable children and families. Many families need extra support for a variety of reasons. Extra funding is needed – and is currently provided - for parents who go back to study to improve their chances at finding a job, Aboriginal and Torres Strait Islander parents who seek culturally appropriate care settings for their children, children in rural and remote areas, parents and carers of children with disability who require personalised care and learning support, and vulnerable or “at risk” children.

In closing, we urge the Commission not to disregard years of progress in quality reforms and improving affordability of childcare. Doing so would risk the educational outcomes of our children and be absolutely detrimental to the participation of parents and carers in the workforce, particularly women. The Productivity Update of May 2013 notes that “productivity growth increasingly is occurring through a better educated and skilled workforce.” There is no room for budget cuts where educational quality and workforce participation is concerned.

I look forward to meeting with the Productivity Commission to discuss these issues in more detail.

Kate Ellis