

▲ FROEBEL Australia Ltd • Suite 501 • 105 Pitt Street • Sydney NSW 2000

Via email

Childcare Inquiry
Productivity Commission
Canberra City ACT 2600

To Whom It May Concern

3 February 2014

RE: Submission by FROEBEL Australia Limited regarding the “Childcare and Early Childhood Learning - Productivity Commissions - Issue Paper”

FROEBEL is a not-for-profit provider of bilingual early education and care services, based in Sydney.

Thank you for giving us the opportunity to contribute to the Government’s productivity inquiry and to state our point of view and our experiences with the National Quality Framework, current legislation and the state of the sector.

FROEBEL Australia Ltd
Suite 501 / 105 Pitt Street
Sydney NSW 2000

A. Availability and cost of childcare and early learning services

P. +61 2 8080 0065
F. +61 2 8080 0066

I. Availability of childcare and early learning services

info@froebel.com.au
www.froebel.com.au

1. *How has the sector responded to growth in demand, including changes to types of care offered, cost and pricing structures used by different types of providers, and any viability pressures?*
2. *Which key barriers are inhibiting an expansion in ECEC services where demand is highest, development of more flexible ECEC, or alternative models of care?*

a) Securing suitable location/properties

A key barrier inhibiting an expansion is the difficulty to identify suitable locations/properties for childcare use, particularly within Metropolitan areas, which

Company Directors:
Olde Lorenzen
Stefan Spieker
Martine Joly

aa) meet the substantial outdoor space requirements specified by the Education and Care Services National Regulations (in the following: *National Regulations*), and

Advisory Board:
Dr. Wolfgang Babeck
Florian Dehne

ABN: 73 135 620 370

bb) can be developed and operated at cost that do not compromise the overarching objective of keeping childcare affordable.

b) Skills shortage

Another key barrier is the shortage of qualified, Diploma trained early childhood educators and – even more so – Early Childhood Teachers on the Australian job market. Whilst we embrace the minimum qualification requirements as introduced by the National Quality Framework as such, we would like to highlight that it is a daunting task to recruit/retain the number of qualified personnel required under the National Regulations. Please also refer to C. 1. below.

Recommendation:

- Reduce red tape in regards to development and approval of children's services. Fast track approval processes.
- Introduce and establish funding programs such as the "Children's Facilities Capital Grants" program of the Department of Education and Early Childhood Development of Victoria which help providers with the development of new ECEC particularly in areas where excessive commercial rents inhibit new projects or have a strong impact on the feasibility of new services. The availability of affordable childcare places will not improve as long as substantial, reliable capital funding programs are not made available to approved providers.
- Increase attractiveness of employer sponsored childcare models and partnerships between (not-for-profit) education and care service providers and employers.
- Ease outdoor space requirements, particularly for children under 2 years of age, and allow for a scope of discretion, for example in densely populated areas where demand for early education and care services is usually the highest.
- Double the efforts to support employers with the costs of providing formal, workplace-based training for Diploma trainees.
- Introduce visa sponsorship opportunities (subclass 457) for early childhood educators from overseas with approved, Diploma-equivalent qualifications, in line with salary requirements as specified in the Children's Services Award 2010.

3. *Which approaches to managing childcare waiting lists have been shown to be successful?*

Current Priority of Access Guidelines limit providers' flexibility to manage their waiting list. It would be desirable to allow more flexibility.

II. Flexibility of childcare and early learning services

1. The extent and nature of unmet demand for more flexible ECEC

The demand for more flexible ECEC services is evident where parents do shift work (including work after hours), e.g. near hospitals, airports, etc.

2. The reasons why current providers are not offering more flexible care options

Limited overall demand, general restrictions (refer to I. 2) and cost impacts (e.g. substantial shift loadings).

III. Services for additional needs and regional and remote areas

How well are the needs of disadvantaged, vulnerable or other additional needs children being met by the ECEC sector as a whole, by individual types of care, and in particular regions?

Not well enough. Available funding (e.g. through the Inclusion Support Subsidy Program towards wage costs for Additional Needs Educators) is limited and does by far not cover providers' actual expenses. Providers are pretty much left alone with the gap and expenses for additional resources etc.

Recommendation:

- Provide ISS funding at least in line with minimum wage requirements as specified in the Children's Services Award 2010, and not below level 3.1.

B. Government regulation of childcare and early learning (page 23pp)

I. National Quality Framework

1. The effect of increased staff ratios and qualification requirements on outcomes for children

2. How ECEC are providers handling the pace of implementation of new staffing ratios under the NQF?

We embrace the National Quality Framework and feel that the pace of implementation of new ratios and qualifications requirements has been appropriate.

Recommendation:

- Harmonise inconsistent educator to children ratios and qualification requirements across all jurisdictions.

3. *The case for greater recognition and assessment of competencies as an alternative in some cases to additional formal training and qualifications*

It is desirable that procedures regarding the recognition of overseas qualifications by ACECQA are simplified and become more equitable in regards to language requirements.

At this time ACECQA requires a score of seven (7.0) or more in the reading and writing components, and a score of eight (8.0) or more in speaking and listening components, in the academic version of the International English Language Testing System (IELTS) whereas for overseas students, who obtain their qualification in Australia on a student visa, a band score of only 5.5 in either the General or Academic version of the IELTS Test applies. Educators should certainly be able to speak correct English with children in their care, however, the language requirements specified by ACECQA for the approval of overseas qualifications seem unreasonable high and further hinder alleviation of the general skills shortage in our sector.

Recommendation:

- Determine more appropriate language requirements and streamline overseas qualification approval processes.

4. *The impact of changes to staff ratios and qualification requirements on the cost of employing ECEC workers*

The cost impact has been substantial as staff numbers and minimum salary requirements have gone up to meet new legislation. However, we are supportive of these requirements as they do contribute to the quality of care and learning outcomes for children.

5. *Have any increased staffing costs been, or will be, passed on in higher fees charged to families?*

Staff cost are already (and by far) the single biggest expense of service providers who have no other choice but increase fees along with any pay rise/increase in staff costs as long as no other compensation is available to them.

6. *Initiatives of governments to address workforce shortages and qualifications, including the cost and effectiveness of these initiatives*

The “Early Years Quality Fund” was an unfortunate, inequitable and poorly designed piece of legislation, and we applaud the Government for abolishing it within its first days in office. We hope that the new Government will find better ways to acknowledge the contributions early childhood educators and teachers make not only to our children’s but to our nation’s future.

Recommendation:

- Consider direct funding of early education and care services, instead of re-directing it via Child Care Benefit and Child Care Rebate which parents often find to be confusing, complex and intransparent funding instruments.
- Direct funding must enable providers to pay wages which better reflect educators’ and teachers’ responsibilities and contributions to the education of our children.
- Introduce funding schemes such as the “Early Childhood Teacher Costs Contribution Scheme” of the NSW Government (2012) which was a good attempt to help providers bear the high costs of employing qualified Early Childhood Teachers. Unfortunately, this scheme was not renewed.
- Introduce a 457 visa scheme for Diploma-equivalent trained educators and review TSMIT requirements for the scheme in line with the Children’s Services Award 2010 (Level 3.4).

7. *Initiatives of providers to address their workforce shortages and skill needs, including the cost and effectiveness of these initiatives*

One initiative is to attract qualified educators from overseas. Unfortunately, hiring educators from overseas is costly and red tape is substantial.

8. *Particular locations and areas of skill for which it is hard to find qualified workers*

- Early Childhood Teachers
- Diploma of Children’s Services/Diploma of Early Childhood Education and Care
- Across Australia, even in Metropolitan Areas

9. *Are the requirements associated with more subjective aspects of the National Quality Standards, such as ‘relationships with children’, clear to service operators and regulatory staff? Is further guidance required?*

The Guide to the National Quality Standard could be improved and more guidance for educators be given in regards to certain expectations. It is often unclear to educators how an authorised officer would determine whether observed practices are “Meeting NQS” or “Exceeding NQS”.

One (of many) examples: Element 1.1.6: Each child’s agency is promoted, enabling them to make choices and decisions and influence events and their world (= Meeting NQS); Each child’s agency is *consistently considered and* promoted, enabling them to make *a range of* choices and decisions and influence events and their world (=Exceeding NQS). It is nearly impossible for any officer to determine during a one- or two-day visit whether a service is exceeding the NQS or not which can make a decision crucial to the service close to arbitrary.

Recommendation:

- Further specify and define “Exceeding NQS” criteria in the Guide to the NQS.

10. *Could the information provided on the ‘My Child’ website be changed to make it more useful or accessible to families? Are there other approaches to providing information to parents about vacancies, fees and compliance that should be considered?*

Information available does not always seem to be current and/or correct.

II. Other regulations

1. *How do particular regulations (including the NQF) impact on the structure, operations, cost and profitability of ECEC services — for example, are services consolidating or amalgamating their operations to reduce administration costs?*

One of the most unnecessary and costly requirements under the National Regulations is that Reg. 135 does not apply in all jurisdictions (and for example not in NSW, refer to Reg. 272). As a consequence, approved providers in NSW are required to replace an Early Childhood Teacher during times of illness or absence (of up to 12 weeks) with another Early Childhood Teacher; a Diploma trained educator or primary school teacher cannot be taken as Early Childhood Teacher during that absence.

Particularly smaller approved providers, who are not normally able to rely on an own pool of casual teachers, have no choice but employ agency teaching staff, usually at an hourly rate of pay which is in excess of \$60.00. Not only does this have a huge impact on the provider’s personnel expenses, particularly during times

where teachers employed with the service are on annual leave, but also on the continuity of care. It would be far better for the children to be cared for and educated by a (Diploma trained) educator who she or he trusts and is already familiar with than to hire a casual teacher who has got no association with the service, is not as inducted, is not familiar with the children/their families/the service, its policies and the other educators working at the service. Reg. 135 contributes to consistency in the educational programs and to continuity in care.

At the same time, Reg. 272 directly contributes to and worsens the workforce shortage. Personnel agencies thrive on the fact that providers must replace Early Childhood Teachers at all times to meet ratios and ensure compliance. They attract Early Childhood Teachers with wages substantially above market levels and pass the additional costs on to providers who are unable to offer similarly attractive salaries, hence find it increasingly difficult to recruit Early Childhood Teachers, but at the same time are bound by burdensome regulatory requirements that not even make sense from a quality perspective.

Reg. 132 – 134 require that Early Childhood Teachers are in attendance at the service for at least 6 hours, if the service operates for 50 or more hours a week (otherwise for 60% of the operating hours). We consider Reg. 132 – 134 to be a reasonable and practicable regulation as it ensures that a certain number of Early Childhood Teachers are in attendance for the majority of the time a service operates. Again, Reg. 132 – 134 do not apply in all jurisdictions and not in NSW where Early Childhood Teachers have to be in attendance *at all times* (refer to Reg. 272). This again directly contributes to higher wage costs without having any significant positive impact on learning outcomes for children.

Recommendation:

- Apply Reg. 132-135 across jurisdictions, without exceptions in individual States/Territories.
- Consider to regulate personnel agencies to mitigate their impact on workforce shortage.

2. *The extent to which regulatory requirements are causing services to change the number or mix of children they care for*

The introduction of the lower educator to children ratio for children from 2 to 3 years of age (here for NSW, 1:5 instead of 1:8 from 2016) may have such an impact and lead to a decrease of childcare places for this age group (e.g. groups of 16 children may be

reduced to 15, etc.) where an increase of places is not an option due to limited play space.

3. *The extent to which regulatory burdens arise from duplication of regulations and/or inconsistencies in regulations across jurisdictions*

See above II. 1.

III. Options for regulatory reform

1. *How could the NQF and other regulations affecting ECEC be improved - both requirements and their implementation/enforcement - to be more effective and/or to reduce the compliance burden on ECEC services or workers and/or administration costs for governments?*

In principle, we embrace the NQF and believe the sector should be allowed a "rest pause" after it had to adapt to a large number of very substantial changes in recent years and has invested substantially into the NQF implementation and training of staff.

2. *Are there areas currently regulated that would be better left to sector self-regulatory codes of practice or accreditation schemes?*

The Modern Award system has proven to be an enormous burden on employers. Its complexity as well as its number of restrictions and prohibitions are not only unreasonable but also impracticable and often not a reflection of common sense at a workplace in the 21st century. At the same time, the processes for negotiating Enterprise Agreements are equally daunting and cost intensive. Both instruments require major reform.

Recommendation:

- Reform the Modern Award system and the processes for negotiating Enterprise Agreements.

C. Government support of childcare and early learning (page 29pp)

1. *How could government support programs be reformed to better meet government objectives for ECEC?*

Not-for-profit approved providers of early education and care services should be able to apply for Deductible Gift Recipient status. A DGR status would make it much easier for organisations to attract donations which would enable services to invest more funds into their programs and facilities. Not extending the DGR status to early childhood organisations as integral part of the education system is anachronistic and ignores the importance of the early years for a child's learning and development.

Recommendation:

- Make DGR status available to early education sector.

Sydney, 3 February 2014

Olde Lorenzen
Managing Director