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ACCS SA– Australian Community Children's Services SA

Introduction

ACCS SA'S reply to the *Productivity Commission Draft Report on Childcare and Early Childhood Learning* is mixed. There are some long-awaited welcome recommendations, most notably the introduction of a single payment for families to replace Child Care Benefit (CCB) and Child Care Rebate (CCR) and increased investment in subsidies for low income families; however there are some areas of concern and disagreement.

Areas of agreement

ACCS SA welcomes the following recommendations which align with ACCS submission to the Productivity Commission (these are not listed in any order of priority):

- Introduction of a single subsidy to replace CCB and CCR
- Diverting funding from the proposed new Paid Parental Leave scheme to early childhood education and care
- Increase investment in subsidies for low income families
- Funding of coordination activities in integrated services
- Ongoing funding by the Australian Government for universal access to 15 hours of preschool
- Extending the scope of the National Quality Framework (NQF) to include all centre and home based services that receive Australian Government assistance
- Encouragement for employers to trial innovative approaches to flexible work and other family friendly arrangements
- Implementing a nationally recognised working with children check
- Viability assistance to providers in rural, regional and remote areas, however there is concern that the three in seven year funding model will not assist some providers deliver services in communities where additional support is always required due to the lack of availability of suitable employment, or access to training and adult education

Areas of concern/disagreement

ACCS SA disagrees with the following recommendations and believes that their implementation would not be in the best interests of children and their right to access quality community managed education and care including:

- Allowing services to temporarily operate with staffing levels below required ratios (by averaging over a day or a week)
- Requiring educators working with children under 3 to only hold the minimum Certificate III level qualification – no Diplomas required
- Simplifying the National Quality Standard (NQS) and identifying standards or elements that can be removed or altered while maintaining quality
- Removal of preschools from the scope of the NQF
- Removal of eligibility of not for profit providers to payroll tax and Fringe Benefit Tax (FBT) exemptions
- Impact of removal of access to subsidies for families that don't meet the work test – universal access to early childhood education should remain, with services having the capacity when a family who meets the work activity test requires care to ask families who are attending and do not meet the work activity test to change days or hours of attendance, or even cease care to enable the working family to access the place. The current Australian Government priority of access guidelines allow for this practice, and it should continue. All families, particularly those who are vulnerable and/or experiencing multiple disadvantage and may not meet the work activity test should have access to quality children's services
- OSHC ratios – the proposal that OSHC ratios be the same as those provided during school hours does not reflect or show an understanding of the nature of outside school hours leisure activities. For example, one teacher can more easily supervise a class of students attending a swimming training session at a pool in contrast to after-school or vacation care leisure activities where children will not be training or swimming laps but be engaged in active water play that requires a much higher level of visual supervision
- There is significant concern that care only, and education and care services will reintroduce and exacerbate the policy divide between care and education. That is children are only cared for in the first three years of their lives, despite this being the period of most rapid brain development, and receive early education for the year before they enter school only
- The proposed funding model is still based on a subsidy to families. There seems to be no consideration to fund provision of education and care directly. It is more logical to have a funding model that combines State/Territory and Australian Government with all children's services funded through the Australian Government. While ACCS welcomes the recommendation that approved nannies have a Certificate III level qualification and will be required to meet the NQS, ACCS has grave concerns about how approved nannies would be monitored for regulatory compliance. Any agency or educator, including nannies, if eligible, in receipt of Australian Government funds should be compelled to provide education and care within an approved quality framework such as the NQF.

ACCS SA will focus on four key areas.

1. The removal of tax and other concessions from not-for-profit children's services.

2. The impact of the proposed funding model on vulnerable/precarious families unless they have a diagnosed additional need or are known to the child protection system.

3. Requiring educators working with children under 3 to only hold the minimum Certificate III level qualification – no Diplomas required

4. Simplifying the National Quality Standard (NQS) and identifying standards or elements that can be removed or altered while maintaining quality.

1. The removal of tax concessions for not-for-profit children's services

The removal of tax concessions for the not for profit children's services sector will have a detrimental effect and will not create a level playing field. Access to these concessions does not give "not for profit providers a competitive advantage over for profit providers" (p. 459).

There are few financial benefits that not for profit children's services receive. The ability to not pay payroll tax, provide FBT exempt salary packaging, and be exempt from income tax are the only significant taxation benefits available.

In contrast the for profit sector is able to, and does, run many operating costs through the children's services business operations as tax deductions including phones, cars, a variety of mobile devices and tablets, and home computers to 'do the child care business'. They can raise finance (capital and operational) through loans and overdrafts (again tax deductible) through their governance structures.

Not for profit services do not enjoy any of these benefits so it is unclear how removal of payroll tax exemption, FBT exempt salary packaging and income tax exemption would outweigh the tax deductions and ability to raise finance for growth, that the for profit sector enjoys. The not for profit sector cannot raise capital to easily "alter the configuration and capacity of a facility"[1] due to governance structures of an association with limited and dispersed personal liability. Financial institutions are not willing to lend money to these types of governance entities.

It is an interesting notion to consider tax concessions as a form of government spending that should only be available if the tax concessions are "offset by the benefits such providers delivered to the community" (p. 461). There seems to be an assumption that social need only relates to family income. Not-for-profit children's services provide significant social benefit to any community they are located in, regardless of the socio-economic status of that community. Not-for-profit children's services are part of a community's inherent social capital contributing to local economic well-being of families in the community through majority provision of work-related child places, and creating and supporting networks of social relations through strong trusting relationships[2]. For profit services may be able to engage with communities to facilitate social benefits. However this is not the primary

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[1] Productivity Commission (2014), *Childcare and Early Childhood Learning*, Draft Report, Canberra, p. 440).

[2] Stone, Wendy (2001), *Measuring social capital: towards a theoretically informed measurement framework for researching social capital in family and community life*, Australian Institute of Family Studies, pgs. 4 and 6.

objective of operating a business to maximise shareholder outcomes. In contrast, not-for-profit children's services will most often have community engagement as one of their principal objectives of being.

2. The impact of the proposed funding model on vulnerable families

Australian and State/Territory governments through the Council of Australian Governments (COAG) have endorsed the *National Framework for Protecting Australia's Children 2009 to 2020*. Currently this framework is in the second of its three-year action plans with specific strategies targeted to be implemented from 2012 to 2015. One of the six critical outcomes of the National Framework is that "children and families access adequate support to promote safety and intervene early"[3]. The public health model adopted by the National Framework considers universal supports such as children's services as a soft, safe entry point for families that may be in vulnerable circumstances related to child safety and well-being.

Many children's services are the initial entry point for families who may be vulnerable but are not yet in a place where the child may be considered to be at risk of serious abuse or neglect. Children's services are able to work with these families by building trusting relationships that may encourage and enable early intervention and supports that could result in minimisation or mitigation of these risks to children. These families may not ever be reported or known to State/Territory child protection systems and may not ever need to be, due to support and respite that children's service can provide during stressful times.

These families may not meet the proposed work activity test resulting from multiple layers of disadvantage, and under Early Care and Learning Subsidy (ECLS) model would be ineligible for financial assistance with fees.

In the most recent TICCS[4] survey only 15% of respondents said they did not have any children who they would consider vulnerable and of the remaining 85% of respondents, 32% of these respondents said they had noticed an increase in the number of vulnerable children attending their service in the past 12 months. The survey defined vulnerability as children with a range of risk factors that are challenging or affecting their development and learning.

These vulnerable families that access children's services must not be excluded and disadvantaged because they cannot pay full fees. Support from children's services with regard to early intervention and protection is critical to make sure these families become more successful and resilient in their parenting and family relationships; so that their circumstances do not escalate to placing children at risk of serious abuse or neglect. Children's services directors/coordinators need to have a decision-making framework where they can support these families to access to Special-ECLS.

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[3] *Protecting Children is Everyone's Business, second three-year action plan, 2012-2015*, Commonwealth of Australia 2012, p. 8.

[4] ACCS Trends in Community Children's Services survey, 3rd wave (2014), unpublished.

The current Department of Education priority of access guidelines provide children's services directors/coordinators with an easy framework to prioritise children who are at risk, along with subcategories that are possible indicators of disadvantage and vulnerability. These priority of access guidelines allow for the consideration of multiple layers of disadvantage. Additional criteria may be along the lines proposed by Brendan and Adamson (2014)[5] suggested special consideration for families who are Health Care Card holders.

3. **Requiring educators working with children under 3 to only hold a Certificate III level qualification – no Diplomas required**

Full consideration must be given to the levels of risk inherent when a reduction in quality, ratios and qualification requirements are recommended.

Children under three years of age require Diploma and Degree qualified educators. Neuroscience identifies that the first three years are the most vulnerable for children's development and learning. Lowering the qualification requirements for educator's increases risk due to the reduced theoretical and practical knowledge of educators. The recommendation to lower qualification requirements goes against the research which shows the link between qualifications, quality and positive outcomes for children. Lowering qualification requirements also decreases the professionalism of early childhood education and care. An important point which has not yet been addressed is the urgent need for appropriate remuneration to attract and retain qualified educators.

No educator should be left alone in charge of a group of children as this creates significant Workplace Health and Safety issues, as well as child protection risks and protection risks for the educator.

There is a significant risk to Government where funding of low quality and high risk services is linked.

4. **Simplifying the National Quality Standard (NQS) and identifying standards or elements that can be removed or altered while maintaining quality.**

We recommend that there be no changes regarding the NQF, particularly to qualification requirements and the inclusion of preschools. There are currently other review processes in place and there are still many education and care services that have not yet been assessed. These review processes will provide informed recommendations regarding the NQF.

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[5] Brennan, D., & Adamson, E. (2014), Financing the Future: An equitable and sustainable approach to early childhood education and care, SPRC Report 01/14, Social Policy Research Centre, University of New South Wales