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SUBMISSION TO PRODUCTIVITY COMMISSION CHILDCARE AND EARLY CHILDHOOD LEARNING

Contact: Simon Rosenberg, CEO;

Northside Community Service (Northside) is a medium-sized community sector [NFP] organization that operates a wide range of programs and services in Canberra, including four long day care centres. We appreciate the opportunity to make this submission.

Northside welcomes the recommendation that the National Quality Framework (NQF) be a prerequisite of all government funding. However several key recommendations in the Commission's draft report would undermine NQF standards and weaken the sector's ability to provide the high quality education and care essential to meet children's developmental needs.

Removing the requirement for degree-qualified educators for children under three years of age

Current evidence suggests that all children need access to quality early learning experiences, with experienced and qualified staff. The implementation of the NQF in monitoring and assessing standards is necessary for maintaining and improving early years care and education.

Learning begins prior to birth. Experts recognise the first three years are critical to the brain's development. It is during this time that children build the foundation for lifelong learning, health, wellbeing and success. Children need early learning specialists who are trained in and understand children's learning so they get the best start in life.

Diploma-trained educators have the skills and training to develop play-based programs that are important for children's learning and development. All children deserve an education no matter their age. Our families expect that their children under 3 years old are educated. This has been evident through recent Parent

Surveys. In order to provide a holistic and quality service, which is fit for purpose, staff need to be properly qualified. They are currently qualified using the Certificate III and Diploma in Children's Services, which in the best training environment combines theory with practice.

On the same theme, we disagree with the Commission's proposal for employment of an early-childhood teacher at a centre be based on the number of children over three years of age (rather than on the total number of children).

In order to maintain quality of service, which benefits the development and education of all of our children, the future of Australia, we need to maintain standards within child care and early years' education, by ensuring staff are qualified and experienced.

We need to ensure that the profession is monitored by government bodies, through the NQF and positive outcomes are achieved through curriculum, assessment and guidelines (EYLF and QKLG) and staff feel valued, motivated to work in the profession long term, through fair wages, to reduce high staff turnover, which guarantees quality of service and care.

We appreciate the weight the Inquiry has placed on early intervention for children with disabilities and children who present as "At Risk", however this is incongruous with recommendations for the removal of Diploma qualifications as a large number of early intervention occurs when trained, experienced staff assess a child's development and can provide advice and referrals for further assessment to parents, long before the child has turned three years of age.

Pay rates for staff

The pay rates for educators, teachers and directors are poor. Early childhood teachers are paid less than teachers within the school setting, which also provides better conditions, and directors are paid poorly within a management role similar to that of Principal. Staff are qualified, experienced and are offering a professional service, based on government guidelines, accreditation, curriculum, policies and procedures; we are offering a valuable educational experience, not just a care service to children and families.

Staff turnover within the industry is high with the average being 2.6 years in our services. Staff leave the industry (rather than just a centre) due to low pay, and can work in retail and earn more, with less stress, and no qualifications for the same or even higher pay. The rates do not reflect the professional service we offer and the demands of the profession. There is little room for career advancement and a severe absence of respect and recognition for the enormity of their job. The importance of early years education is poorly recognised and undervalued within the sector, and this may be connected to the predominantly female nature of the workforce.

Northside supports the Commission recommendation that the government immediately initiates a review of low wages in the early childhood education and care sector, with the aim of lifting wages to a professional level in line with the skills and qualifications required of educators.

Northside also supports the recommendation that the government reinstates the Early Years Quality Fund to assist educators in meeting the training requirements set out in the National Quality Framework at no cost to themselves or to their employer.

Allowing centres to operate below current educator-to-child ratios in programs

The current educator to child ratios are important for children's learning and development. If the numbers of children per educator are increased there would be a decrease in supervision, safety and quality of care. This also adds extra pressure on educators who are already in a stressful environment.

NQF ratings

The Commission recommends that the government continues the implementation of the National Quality Framework in accordance with the time frames set down and agreed to by COAG and recommends that the rating system be retained but altered so they are more reflective of overall quality, with the 'Excellent' rating abolished, so that 'Exceeding *National Quality Standard*' is the highest achievable rating.

Our concern is less with the rating scale and more with the consistency of approach in undertaking ratings assessments.   There is strong anecdotal information about ratings various between centres and across State boundaries due to factors beyond reasonable assessment criteria.   In short, there needs to greater quality control over quality control.

Continuation of universal preschool access for four year olds

The Commission recommends that governments should maintain preschool program funding as a priority area. Government funding for preschool (on a per child basis) should ensure universal access for children to 15 hours per week of a preschool program for 40 weeks, in the year prior to starting school.

Under the Commission's recommendations, the Australian Government would provide the same level of assistance for preschool to every child, regardless of whether they participated in a dedicated preschool or a preschool program in a long day care centre (LDC).

Northside supports the continuation of these funds but believes that it should be ongoing. While the Commission supports the extension of universal access to preschool in the year before formal schooling, and supports more formal learning for all disadvantaged children no matter what age, it also draws a clear line at the appropriate age of the child to be 3-5 years. The Commission concludes that the evidence of developmental benefits of universal quality education for children aged one to three "is less compelling".   As above, we do not believe this is reflected in the evidence.

Current Training Providers delivery of qualifications

Northside would like to see a review of training organisations and training providers and a national investigation into this in order to develop consistency in practices for new staff, and also in what is imparted in all subject content.

The current oversight by ASQA, is inadequate and there is growing evidence for an increasing number of dubious quality courses being provided. For instance, see:

http://www.abc.net.au/news/2014-09-10/childcare-centres-blacklist-organisations-over-poor-training/5732270

The combination of both the CCR & CCB

The Commission proposes introducing a single means-tested subsidy to replace CCB and CCR. We understand that any subsidy changes that is based on an overall principle of budget neutrality will involve 'winners and losers', and the aim here should be too make ECEC more affordable for lower income families. However we are concerned that this may adversely affect many of our families as CCR will become means tested, and this may have some flow-on effects for workforce participation by middle income parents.

To replace the current subsidy system, the Productivity Commission has recommended that an Early Care and Learning Subsidy (ECLS) be established:

- ECLS would be paid directly to providers, and be passed on transparently as a discount in the fees charged.
- A family income of $60 000 or less would have 90 per cent of the cost of ECEC subsidised by the government, reducing gradually to 30 per cent for those with a family income of $300 000 or more.
- ECLS will be based on a deemed or reasonable cost of delivering a service. The deemed cost would include ECEC salaries associated with meeting NQF staffing requirements, variable costs such as for operating items, rent and administration, and a reasonable surplus or profit. This would be legislatively indexed to the annual change in the relevant wage for ECEC services.
- The Commission has assumed a deemed cost equivalent to the median price charged for ECEC services. In 2013–2014, these rates are estimated to be: $7.53 per hour in long day care centres.

The Commission predicts its preferred scheme will reduce the average share of childcare costs paid by parents from 38 per cent to 30 per cent. It wants quality safeguards to allow providers to offer "a range of care-only and care-education combinations that meet the needs and [lower] budgets of families".

Parents of babies in care are likely to face higher fees, and high-income earners will be more out of pocket because of the proposed ECLS Subsidy. Some may even lose their fringe benefits tax breaks for child care, further reducing the incentive for mothers to return to work.

In addition, a tough-love requirement will link Family Benefit part A to preschool attendance.

For those who pass the tougher tests, though, the subsidy will be available for up to 100 hours' care per fortnight. It will be paid as a proportion of yet-to-be-finalised amounts that are deemed to reflect the cost of care rather than what providers charge. This will improve transparency and value for money.

Crucially, the subsidy will depend on a child's age (the base rate will be lower for three- and four-year-olds whose care costs less); and the type of care (presumably less subsidy for at-home nannies). The cost to government is estimated at $8 billion per year – not much more than already budgeted over the next four years.

Although we are concerned with the impact of these changes on some of our clients, we are pleased that the core of the Commission's proposals is acceptance that good child care has economic benefits and that quality early education and care are crucial for early childhood development.

Disadvantaged families will need to be working to access childcare

We believe there could be a risk that children who are disadvantaged will slip underneath the radar and not be assisted and supported.

The Commission has recommended support for children who are assessed as 'at risk' to access ECEC services, providing:

- a 100% subsidy for the deemed cost of early childhood education and care services, which includes any additional 'special' services at their deemed cost, funded from the Special Early Care and Learning Subsidy program
- up to 100 hours a fortnight, regardless of whether the families meet an activity test
- support for initially 13 weeks then, after assessment by the relevant state or territory department and approval by the Department of Human Services, for up to 26 weeks

This is largely how the Special Child Care Benefit currently works.

Northside supports increased public investment in child care to help low income working families, along with increased support for children in care with a diagnosed disability.

Not-for-profit providers

Northside Community Service Ltd does not support the Draft Recommendation which suggests:

- The Australian Government remove the eligibility of not-for-profit ECEC providers to Fringe Benefit Tax exemptions and rebates.

- State and territory governments should remove eligibility of all not-for-profit childcare providers to payroll tax exemptions.

Removal of these exemptions and rebates will have a significant impact on service viability for both ECEC services and community service programs. Not-for-profit services often cross-subsidise their programs, making it possible to provide both community services and ECEC services in areas that may be otherwise deemed 'non-viable', often provided in areas of disadvantage. If these services were to become non-viable, the burden of providing services would fall on government, or families would miss out on critical ECEC and community services.

The social and economic benefit of providing tax concessions to not-for-profit ECEC services do not appear to be taken into consideration and therefore the competitive neutrality principle should not be applied in this context. The competitive neutrality argument is problematic when applied to not-for-profits:

- The objectives of the organisation are not taken into account. In many cases, the provision of ECEC services by NFPs provides a basis on which their public benevolent services can be provided with an element of security for staff and the community.
- NFPs are not in a financial position to provide market rates of remuneration. The ability of NFPs to both attract and retain specialist staff is problematic enough within the current 'subsidised' environment. If the fringe benefit exemption is removed, salaries will become even less competitive, making it more difficult for NFPs to provide competitive services at an acceptable level of quality.
- Lack of quality services will lead to less viable services, resulting in a gap in funding and an inability to reinvest operating surpluses into community services, causing many organisations to close programs. Concern is raised as to how and who will fill this gap in funding and / or provision of community services.

The Draft Recommendation 12.11 proposes redirecting any additional tax revenue gained or administrative savings from removing ECEC related tax exemptions and concessions to expand funding for ECEC. Concern exists that any concessional arrangements would be in time removed, and additional direct funding would either not be forthcoming, or be constantly vulnerable to budget cuts.

We urge the Commission to remove these recommendations from its final report.

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