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Australian Childcare Centres Association

Supplementary Submission: Early Childhood Development
Productivity Commission Study





1. INTRODUCTION – AUSTRALIAN CHILDCARE CENTRES ASSOCIATION (ACCA)

- 1.1. The Australian Childcare Centres Association ('ACCA') is a registered industrial organisation of employers under the *Fair Work Act 2009* (Cth) ('the Act'). ACCA's member base is derived primarily from individual members of state based associations and provides members with industrial representation at a federal level.
- 1.2. Since its initial registration in 1995, ACCA has been the national industrial voice for the private sector of the childcare industry whose centres collectively care for approximately 800,000 children on a daily basis across Australia. ACCA has a proud record of assisting its members in delivering quality care and lends its support to any proposal which will markedly improve early developmental care.
- 1.3. In addition to providing industrial representation on behalf of its members, the Association seeks to contribute to discussions, which are pertinent to the industry it represents. As such, ACCA appreciates the opportunity to provide input into the Education and Training Workforce: Early Childhood Development Study ('the ECD study').

2. OVERVIEW OF SUBMISSIONS

- 2.1. The submissions below constitute a broad response to the Productivity Commission's terms of reference and largely address issues relating to the implementation of the National Quality Agenda ('NQA'), adopted by COAG in 2009.
- 2.2. ACCA has had the benefit of reviewing the draft Productivity Commission report¹ ('draft Commission report') of 30 June 2011 and, as noted throughout these submissions, lends its support to many of the tentative conclusions reached in relation to the Early Childhood Development ('ECD') sector.
- 2.3. ACCA has identified what it regards as key issues in the COAG reforms which may undermine the ongoing viability of the ECD sector as well as the availability and quality of Early Childhood Education and Care ('ECEC'). At the very least, ACCA believes these factors warrant an extension of the proposed NQA timeline, so that due consideration may be given to the challenges they pose.
- 2.4. The approach of ACCA in these submissions is as follows:-
 - 2.4.1. First, ACCA reiterates concerns evident in the draft Commission report regarding the timeline for the implementation of the COAG reforms. It is proposed that the

¹ Productivity Commission 2011, *Early Childhood Development Workforce*, Draft Report, Melbourne.



Commission urge Federal and State Governments to delay the implementation of the COAG reforms beyond January 2012, in light of a number of unresolved economic and regulatory flaws.

- 2.4.2. Second, ACCA specifically addresses COAG proposals to alter qualification requirements and questions whether the benefits to ECEC service envisaged by COAG are realistic or worth the heavy costs they will impose.

3. THE PROPOSED TIMELINE

- 3.1. The main changes proposed for inclusion in the new 'National Quality Standards' are increased staff-child ratios, a new centre rating system, increased qualification requirements and the establishment of a supervisory National Body. Whilst some bodies have elected to commence phasing in these changes, the relevant legislation is scheduled to come into force in January 2012.
- 3.2. ACCA agrees with the assessment of the Productivity Commission that the current timeline for implementing NQA reforms "appears optimistic"² and that "the implementation may require an additional period of adjustment".³ With respect, ACCA would take this modest critique one step further and submit that the current timeline is manifestly inappropriate given the complex and unresolved challenges facing the implementation process. As such, ACCA considers it appropriate that the Productivity Commission include a recommendation in its final report that COAG change the proposed timeline.
- 3.3. Although there are a variety of issues which demonstrate that the current timeline is inadequate, ACCA has elected to focus on three problems which it deems to be of particular significance.
- (1) Labour market adjustment problems
- 3.4. The draft Commission report and many of the submissions⁴ it has received illustrate that the introduction of the qualification and staff-ratio requirements will have harmful results in the ECD market.
- 3.5. The economic logic behind this argument is fairly straightforward and, to ACCA's knowledge, is not only accepted by the Productivity Commission but has not been convincingly refuted by any entity. In brief, the COAG reforms will significantly raise the demand for qualified staff without a corresponding increase in the supply of those staff (i.e. qualified workers ready and willing to enter the ECD workforce).

² Above, n1, Pg XX

³ Ibid, Pg 36

⁴ See, for example, the submission by Kindergarten Parents Victoria



- 3.6. In order to retain qualified staff and remain competitive with other sectors demanding comparable skills, employers will have to increase wages (most likely well above-award).⁵ The inability for employers in the sector to absorb costs is well documented,⁶ and wage increases will inevitably be passed on to families. The issue of the affordability of wage increases for parents and centres is considered in more detail below.
- 3.7. The comparative data contained in Box 1.1 in the draft Commission report entitled 'lessons from other countries experiences' is a highly persuasive case for adjusting the implementation timeline. ACCA firmly agrees that the difficulties encountered in the United Kingdom and, in particular, the problems in attracting teaching staff in New Zealand should "[sound] a note of caution to the ambitious [COAG] changes".⁷
- 3.8. At present, there is no indication that the problems posed by a shortage of qualified staff and the financial burdens this will incur are capable of being resolved by COAG. While it is beyond the expertise of ACCA to suggest which economic strategies may alleviate these problems, it may be that a consistent 're-branding'⁸ of the value of ECD work is more effective than government subsidies in convincing qualified workers to join the sector.
- 3.9. In section four, below, ACCA challenges whether there is any need to change qualification requirements, particularly in light of the costs identified above.

(2) Affordability issues

- 3.10. Another issue that requires, at the least, a shift of the proposed timeline for the COAG reforms is the risk that higher prices will mean low-income families elect not to enrol children in ECEC services.
- 3.11. The very first 'key point' in the overview of the Productivity Commission report states that "the early childhood development sector contributes to the positive early life outcomes experienced by the majority of young children in Australia".⁹ The vital importance of early childhood care,

⁵ See, for example, the submission by KU Children's Services.

⁶ See, for example, Australian Childcare Alliance. 2011. *Submission to the Productivity Commission: Early Childhood Development Workforce Issue Paper*. Logan City: Australian Childcare Alliance (pg 7).

⁷ Above, n 1, pg 4.

⁸ Ibid, pg 2.

⁹ Above, n 1, Pg XX

particularly when contrasted with unregulated alternatives, is accepted by government¹⁰ and academics¹¹ alike.

3.12. Therefore, it follows that any system which prevents and discourages access to this vital service is contrary to the underlying purpose of any reform – to achieve the best possible developmental outcomes for children. ACCA submits that, in its present form, the NQA creates such a system and its implementation must be delayed until fundamental affordability issues are rectified.

3.13. There is little doubt that there is a clear link between the affordability of childcare and the decision of low-income families to enrol their children. The trend for parents to withdraw children due to rising costs has an extremely strong evidential basis, having been recognised by the Australian Industrial Relations Commission,¹² COAG,¹³ ABS¹⁴ and 'HILDA' statistics,¹⁵ as well as privately commissioned surveys.¹⁶

3.14. The draft Commission report has aptly recognised that Government child care subsidy arrangements will fund “up to half of the increase in costs” and that “parents are likely to pay the remainder of the increase”.¹⁷ Even though there is some means-tested support available, it remains the case that lower-income families will be the first to abandon the ECD sector as a result of rising costs.

3.15. Apart from short-term economic impacts, there are two damaging long-term consequences if low-income families are unable to afford childcare fees. The first and most obvious impact is that this leads to an inequitable social divide in which the quality of developmental care is determined by reference to the income of parents. The second damaging consequence of higher fees is a reduction in labour force participation among females.

¹⁰ The Hon Kate Ellis MP, Minister for Employment Participation and Childcare. 2010. Remarks at the Early Childhood Australia Conference, Adelaide Convention Centre. Available at

http://www.deewr.gov.au/Ministers/Ellis/Media/Speeches/Pages/Article_101001_114027.aspx;

¹¹ Elliot, Allison. 2006. *Early Childhood Education: Pathways to quality and equity*. Camberwell: Australian Council for Educational Research (ACER); University College of London. 2005. *Informal childcare has negative effects on child development*. Accessed 14 August 2011. Available at <http://www.ucl.ac.uk/media/library/childcare>.

¹² PR954938 [2005] AIRC 28

¹³ COAG Early Childhood Development Steering Committee. 2009. *Regulation Impact Statement for Early Childhood Education and Care Quality Reforms*. Canberra: Council of Australian Governments.

¹⁴ Australian Bureau of Statistics (ABS). 2008. *Childhood Education and Care*. (Cat. no. 4402.0) Canberra: ABS.

¹⁵ McNamara, Justine, Rebecca Cassells and Rachel Lloyd. 2005. *Persistence of problems with child care: evidence from the HILDA survey*. Canberra: National Centre for Social and Economic Modelling

¹⁶ See, for example, Care for Kids Australia. 2011. *6th Annual Child Care & Workforce Participation Survey*. Available at <http://www.careforkids.com.au/surveys/2011/results.asp>.

¹⁷ Above, n 1, pg XXXIV



3.16. The Commission draft report relevantly noted that “the ECD sector, and primarily ECEC services, supports the workforce participation of parents with young children, particularly mothers, and as such, it has a substantial contribution to economic activity”.¹⁸ A number of 2010 Treasury Working Papers measured the relationship between childcare affordability and female labour force participation, with one such paper concluding that a 1% rise in fees would result in a 0.7% reduction in the hours worked by mothers with young children.¹⁹

3.17. ACCA supports the draft Commission report recommendation that COAG accompany any increase in fees with targeted assistance to low-income families and ensure that “disadvantaged children do not miss out on the benefits of ECEC reforms”.²⁰ Naturally, this may require a fairly extensive re-formulation of current Government funding structures and should therefore involve a change to the current timeline for the reforms.

(3) Greater consideration must be given to draft regulations

3.18. ACCA submits that significant weight should be attached to the comment in the draft Commission report that “NQS regulations are still being finalised, making it difficult for services and regulators to prepare for the new environment they will operate in from 2012”.²¹

3.19. Important aspects of the regulations are still awaiting finalisation or are ambiguous, including eligibility for ‘waivers’ and how the waiver system will be monitored from a regulatory standpoint.

3.20. Moreover, submissions to the Commission (some of which have been noted in the draft report²²) raise legitimate concerns regarding whether the regulations, in their current form, will actually reduce regulatory burden.

3.21. There is, of course, by no means a necessary correlation between increasing regulation and the provision of high quality care. Naturally, excessive regulation may detract focus from the overall quality of teacher-child interactions, by cultivating an obsession with meeting objective and inflexible criteria.²³

¹⁸ Above, n 1, Pg 27

¹⁹ Gong, Xiaodong, Robert Breunig and Anthony King. 2010. Treasury Working Papers: *How responsive is female labour supply to childcare costs – new Australian estimates; and Childcare availability, quality and affordability: Are local problems related to maternal labour supply*. Canberra: Department of the Treasury.

²⁰ Above, n 1, Pg 25.

²¹ Above, n 1, Pg 41.

²² Above, n 1, Pg 41

²³ See, on this point, Australian Childcare Alliance. 2011. *Submission to the Productivity Commission: Early Childhood Development Workforce Issue Paper*. Logan City: Australian Childcare Alliance (pg 7)



3.22. ACCA believes the regulations may lead to an unfortunate irony whereby the proposed reforms, through their focus on safeguarding quality, actually reduce the capacity for centres to provide quality care.

4. CHANGES TO QUALIFICATION REQUIREMENTS

- 4.1. The reforms due to come into force in January 2012 also require minimum standards of qualification for staff employed in the ECD sector. These requirements include that all staff in long day care ('LDC') and contact workers in family day care ('FDC') have a minimum Certificate III qualification, and that all LDC, FDC and preschool staff hold or be working towards a formal qualification in ECEC by 2014.
- 4.2. It is important to note that ACCA is strongly in favour of reforms which improve the skills of the ECD workforce, but holds doubt over whether this particular reform will deliver such benefits. This doubt is motivated, in part, by the lack of any convincing empirical evidence that the more stringent qualification requirements will result in an improvement in the services offered by centres.²⁴
- 4.3. First, ACCA would question whether it is necessary that *all* workers possess or be working towards a formal ECEC qualification. While there is no question that formal qualifications are beneficial for the workplace skills of many employees, ACCA sees no reason why those without formal qualifications (including employees with largely administrative or ancillary support roles) should be altogether excluded from providing ECEC services.
- 4.4. Perhaps the most important issue raised in a number of submissions to the Commission is whether the proposed higher education requirements will actually aid the professional development of staff. Both the report and submissions such as that from the Victorian Children's Services Association²⁵ raised "significant concerns" about the quality of Certificate III and diploma graduates. Thus, there is a potential that the substantial Government investment required in raising qualification requirements will not only be unnecessary but will have a negative impact on the quality of care. ACCA submits that the concerns regarding higher education identified in the draft Commission report²⁶ must be addressed, and that alternative methods of professional development should be investigated.
- 4.5. The 2010 National Early Childhood Education and Care Workforce Census, published in June 2011, revealed that of paid contact staff in the ECEC workforce, 69.2% were not currently

²⁴ Care for Kids, above n14. This majority of respondents in this survey indicated that they were happy with the quality of child care services, although concerned about their affordability.

²⁵ See also, for example, the submission by NSW Children's Services Forum.

²⁶ Above, n 1, Pg XXXII



studying toward an ECEC-related qualification and 30.2% did not have any ECEC-related qualification.²⁷ The undertaking to have all preschool and long day care workers studying toward or in possession of a Certificate III in Children's Services by 1 January 2014 therefore requires a significant change in the ECD workforce, which would only be justified if there was a marked improvement in the quality of care that workforce delivers.

- 4.6. Moreover, in addition to the immediate issues relating to supply of labour discussed in section 3(1) above, the qualification reforms risk driving experienced staff who do not possess formal qualifications out of the sector by 2014.²⁸ ACCA believes that the decisions of these staff to leave the sector would not be motivated solely by concerns over the cost of obtaining qualifications, and therefore cannot be cured by Government subsidies. Factors which may lead senior, unqualified staff to consider shifting industries or retiring includes an aversion to investing time so late in their career or, equally likely, a disillusionment with an industry whose regulatory framework ascribes less value to their knowledge and skills.

5. CONCLUSION AND PROPOSALS

- 5.1. ACCA is in support of any reform which will aid its members in delivering quality care and commends Australian Governments on its well-intentioned attempt to achieve this objective. It is this good faith approach which serves to instil confidence in ACCA that the Government will act on the proposals of the Productivity Commission and work collaboratively with industry in implementing its finalised reforms.
- 5.2. ACCA has consciously avoided suggesting precise amendments to draft legislation and regulations. Rather, much of what has been raised in this submission, most of which has been identified by numerous participants in the Study to date, are intended to highlight points of discussion which demand immediate attention by Government.
- 5.3. There are, however, two broad proposals which ACCA submits should take precedence in the final recommendations of the Productivity Commission. First, that the Government reconsider the current timeline for implementing its reforms and, second, that alternatives to the currently proposed rigid qualification requirements be explored.
- 5.4. ACCA appreciates the opportunity to contribute to what is a vital study being undertaken by the Productivity Commission and commends the extent to which the Commission has engaged with

²⁷ The Social Research Centre. June 2011. *2010 National Early Childhood Education and Care Workforce Census*. Available at <http://www.deewr.gov.au/earlychildhood/Pages/NationalWorkforceCensus.aspx> (pg 42).

²⁸ See also the submission by the NSW Children's Services Forum.

industry bodies thus far. ACCA welcomes any further consultation which the Commission may seek and looks forward to the final report into the Early Childhood Development workforce.

Laurie Moloney
Director
Livingstones Australia

Agent for Australian Childcare Centres Association (ACCA)



Employment & Industrial Relations ■ T 07 3833 1200
Human Resources & Relationships ■ F 07 3832 1546
Organisational Advisors & Psychologists ■ www.livingstones.com.au

Level 14, 340 Adelaide St
PO Box 10399, Adelaide St
Brisbane QLD 4000

Livingstone Services (Aust) Pty Ltd
trading as Livingstones Australia
ABN 43 486 407 141 ACN 062 670 053