



## SDN Children's Services

### Response to the Senate Education and Employment Legislation Committee Inquiry: *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015* January 2016

#### Introduction

SDN Children's Services currently provides high quality early childhood education and care (ECEC) services to 2,000 children per day and about 3,000 children in total across any one year. We operate an integrated services model of service delivery that includes therapeutic services for children with a disability, family strengthening services, community strengthening and capacity building services, and consultancy services. In all, around 11,000 children, families and other service providers benefit from SDN's work each year.

SDN is pleased to have the opportunity to make a submission to the Senate Education and Employment Legislation Committee Inquiry into the *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill*.

SDN refers the Senate Committee to our submissions to earlier inquiries on this topic, including:

- our submission to the Productivity Commission inquiry into Childcare and Early Childhood Learning in February 2014, and our response to its draft report in September 2014
- our submission to the Senate's Education and Employment Reference Committee's Inquiry into the Delivery of Quality and Affordable Early Childhood Education and Care Services in March 2014
- our submission to the Senate's Education and Employment Reference Committee's Inquiry into the Immediate Future of the Childcare Sector in Australia in March 2014
- our response to the Regulation Impact Statement for the Child Care Assistance Package in July 2015.

#### General comments

The concerns we have raised previously remain unchanged, particularly around the practicalities of implementing the proposed Child Care Subsidy, and the potential barriers

for vulnerable and low income families to access the subsidy, which will have the unintended consequence of deterring them from entering the workforce, contrary to the Government's aims.

We reiterate our concern that the Government only considers early childhood education and care to be a workforce participation issue. The value of investment in early childhood education and its wide and long lasting contribution to the community and the economy is not considered at all.

Specifically, there is a considerable body of evidence from studies worldwide which shows that:

- Children learn more in the first five years of their life than at any other time
- Children who access quality early education and care perform better academically at school
- Investment in early education and care delivers high economic returns
- Access to early education and care ameliorates educational economic disadvantage.

We refer the Committee to the work of American economist and Nobel laureate Professor James Heckman on this subject.

The Government's lack of prioritisation of early childhood education and care is exemplified in the assumption that early childhood education and care services are essentially babysitting or occasional care services, to be used for the convenience of families or employers. This not only ignores the benefits of quality early childhood education and care, but also reflects a misunderstanding of the economics of the sector.

The proposed calculation of subsidies to families are based on an assumption of hourly charges, and that families and services can adjust the number of hours children can access a service in response to the number of hours of subsidy. This ignores the reality of operating a long day care service.

In order to be financial sustainable, our fees are determined as a result of an extensive budgeting process, based on careful compilation of costs, many of which are annual. Our rent isn't charged by the hour, but paid as a yearly amount. We employ most of our staff permanently and try to have as few casual staff as possible. We need to roster staff in advance based on regulated staff to child ratios. Having to roster staff 'just in case' children turned up would add additional costs for we could potentially not receive any fees, and this would need to be included in the fee calculation. We also have overheads such utilities, and variable costs such meals and play equipment.

Our fees are budgeted based on what it costs to deliver a day of service to a known number of enrolled children. Whether that day is 8 hours long or 10 hours, the daily cost is the roughly the same. If we were to charge for less than a full day then the hourly cost

would simply have to be higher to cover the actual daily cost. Increased flexibility would be at a cost to services which would need to be passed onto families to ensure viability.

SDN also makes the following comments about key points in the Bill:

## 1. Financial uncertainty for families

By aligning the hours of subsidised care with hours of activity per fortnight, the subsidy available to many families will vary fortnight to fortnight, making their subsidy impossible to predict, and therefore making it impossible to budget for their actual payments.

Many people work hours that are not regularly scheduled across a fortnight, particularly casual workers, shift workers, and contractors. These people are all active participants in the workforce and important contributors to the economy, yet because their work patterns do not conform to an arbitrary and outdated definition of 'regular', they will be penalised financially.

Early childhood education and care services such as preschools and long day care centres enrol children for set days per week. This gives families certainty of care so they can plan and commit to their work or study, and allows service providers to forecast demand in order to staff the service to meet regulatory requirements for staff to child ratios. It also offers stability for the children, which is the best environment for their learning and development.

Basing the activity test on a fortnightly period is far too short to be administratively practical, or to give certainty to families about the amount they will receive.

Exacerbating this, the proposed Child Care Subsidy will be based on a 'deemed' hourly cost of care which is not related to the actual cost of accessing services, particularly in inner city areas such as in Sydney and Melbourne.

Families will be faced with a multi-stage process for calculating how much subsidy they are eligible for, and therefore how much their child care will cost:

1. Track the number of (potentially variable) hours they work each fortnight
2. Based on 1 above, calculate the number of hours they are eligible for subsidy
3. Calculate the proportion of the deemed rate they are eligible for (based on their annual family income)
4. Multiply the number of hours (2) and the proportion of the deemed rate (3) they are eligible for to determine the dollar subsidy per fortnight
5. Calculate the gap between the dollar subsidy per fortnight they are eligible for (4), and the actual fee charged for the number of days the child has attended the centre (which maybe higher than the deemed rate) – this is the gap or the actual amount of cash the family has to pay fortnightly.

## 2. Increased administrative burden on families

In addition to increased uncertainty, the self declaration and reporting requirements for the new Child Care Subsidy will increase the record keeping burden on families.

For families from non English speaking backgrounds, lower income families without internet access, families already under stress (for example families with a child with a disability), and Aboriginal families who do not like dealing with government departments for historical and cultural reasons, these self-declaration requirements will be an additional burden and a barrier to accessing the subsidy. Many of these families will self-select out of the system and not access any of these supports, including the Child Care Safety Net. Yet these are the very families that the Government states it is trying to support to enter into the workforce.

## 3. Increased administrative burden on service providers

The administrative burden on service providers will be increased considerably. If the amount of Child Care Subsidy can change for each family from fortnight to fortnight, then every fortnight we will need to re-calculate each family's fees based on their subsidy, and then review the account and make any adjustments needed. Given that families need to report actual work hours in order for their subsidy to be calculated, then this means either:

- if services bill in advance, as SDN does, we will need to not only be billing in advance, but adjusting each bill up or down to account for past changes to subsidies – this gives families no certainty about their fortnightly payments
- if services bill retrospectively so that they can bill accurately, then there will need to be a lag between use of the service and the billing to allow for families to enter their information and their actual subsidy to be calculated – this still does not give families certainty about their payments.

In both cases it is a considerable additional administrative burden for services, and also adds potential cash flow issues for services (for example if they have over-calculated a bill in one fortnight and have to under-collect in another).

Likewise, the proposal to align allowable absences with the number of hours of subsidy a family is entitled is a further considerable administrative burden for service providers to keep track of, and will add confusion and stress for the family. Children do not get sick in proportion to the number of hours for which they receive subsidised care. Reducing the number of allowable absences will simply increase the incidence of families taking a sick child into long day care when the child is potentially infectious and should stay at home.

## 4. Community Child Care Fund

SDN supports in principle the establishment of the Community Child Care Fund, particularly the creation of the capital support and the access to affordability support.

We are concerned about the proposal that the access to affordability support would be subject to detailed checks to ensure they are operating efficiently. The definition of 'efficiently' would need to take into account the cost of operating a quality service that offers the best outcomes for children, not a bare-bones service that is a minimum standard.

We are also concerned about the proposal for the community support in disadvantaged areas to operate only as three year grants. For communities in areas with ingrained disadvantaged, three years is simply not enough time to create sustainable change. To obtain a return on the investment in the establishment of quality services with strong connections into communities, especially Aboriginal and Torres Strait Islander communities, requires much longer timeframes.

This funding would seem to be replacing budget based funding, which is especially important for the Multifunctional Aboriginal Services. It doesn't address the long-term sustainability of such services, many of these services will never be able to transition to mainstream subsidies through no fault of their own, and may close forcing children out of child care entirely.

### For more information

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