



Children's Services
educating and caring for our children

SDN Children's Services

Response to the Senate Education and Employment Reference Committee Inquiry:

The immediate future of the childcare sector in Australia 2014

1. Introduction

SDN Children's Services is a not-for-profit organisation established in 1905, and is one of Australia's most experienced and trusted leaders in early childhood education and care.

SDN provides mainstream early childhood education and care services in NSW and the ACT through our long day care centres and pre-schools, in addition to our services for children with disabilities and families facing challenges, and our support services for other children's services providers.

Our mission is to:

- provide high-quality, inclusive early childhood education and care. This means our services are safe, affordable, inclusive and as inspiring as possible
- strengthen families and communities. This means we build strong connections within communities
- address inequalities faced by children. This means we challenge discrimination and help remove barriers to full inclusion.

We operate all our services in an integrated way as literature shows this has the best outcomes for children and families.

SDN is pleased to have the opportunity to make a submission to the Senate Education and Employment Reference Committee Inquiry into the immediate future of the childcare sector in Australia, and makes the following comments as well as responses to the Terms of Reference (see section 6 below).

SDN also refers the Senate Committee to its submission to the recent Productivity Commission inquiry into Childcare and Early Childhood Learning.

2. SDN's integrated services

SDN operates 23 long day care centres for children from birth to six years that also deliver a pre-school program, and two stand-alone pre-schools, in total educating and caring for more than 3,300 children each year.

An additional 3,200 children in our other children's services benefit from the advisory and support work we do. Without our services, these children would likely have been excluded from care. This program work is funded by government, including the Federal Department of Education (\$6m per annum) and the NSW Department of Education and Communities (\$2m per annum).

SDN works with more than 1,700 services in addition to our own, with the aim of reducing inequalities for children and families. This program work is funded by the Federal Department of Social Services (\$400,000 per annum) and the NSW Department of Families and Community Services (\$9m per annum).

Our annual revenue from child care fees is approximately \$25 million, representing 60% of our total revenue of \$42 million. Across the whole organisation, we employ 543 permanent staff and 135 casuals, of which 124 are university-educated early childhood teachers (including the directors of our children's education and care centres, and teachers in advisory roles), 107 are diploma-trained early childhood educators, and 273 are early childhood assistants with or working towards an approved Certificate III qualification. SDN also employs 42 social workers and 6 allied health professionals, as well as our professional support staff.

3. Policy outcomes for three audiences

SDN believes any review of policy for the early childhood sector needs to be tested against the outcomes achieved for three 'communities of interest': children, families, and society as a whole.

Good early childhood education and care, that is delivered well, will provide benefits for children **and** their families **and** the community. A good public policy solution would deliver benefits for all three of these audiences.

Any recommendations arising from this inquiry will need to be tested against the outcomes for each of children, families and society, with the aim of balancing and maximising the outcomes as far as possible for all three. Any changes should not be to the detriment of one of these three groups.

The evidence show that it is quality early childhood education and care that offers the best outcomes for all children, with greater benefits for children from families facing

disadvantage. This includes children with disability, children from vulnerable families, and Aboriginal and Torres Strait Islander children.

In Australia, the National Quality Framework (NQF) provides a nationally consistent, evidence-based framework of quality education and care. It is built on the Early Years Learning Framework (EYLF), which is the nationally agreed curriculum for children aged from birth to five years. The EYLF is embedded in the NQF's independent assessments and ratings of service quality.

The requirements of the NQF are the requirements for delivering quality education and care for our children, and should not be considered as a burden. We know from evidence that this represents best practice, and meeting these standards should not be optional.

Quality early childhood education and care intentionally supports the development and education of children. It provides the most gain and the best start for the most vulnerable children.

Maximising the outcomes for children by investing in quality early childhood education and care is an important public policy issue, and the introduction of the NQF has addressed this. Workforce participation is a different public policy issue, of which access to early childhood services is only one driver.

Improving access to and affordability of early childhood education and care services will support parents, and mainly women, to join or return to the workforce. However, simply creating 'more care' or 'cheaper care' for the sole purpose of supporting women back into the workforce will not achieve the best outcomes for children, and in particular won't address the barriers for many people experiencing disadvantage.

The biggest gain for children **and** families **and** the community will come from investing in access to affordable quality education and care for families experiencing disadvantage, including children with disability and their families, vulnerable families, and Aboriginal and Torres Strait Islander families. This can be achieved by reallocating current funding to support those who are not currently accessing education and care services due to cost barriers.

The strategies for increasing women's participation in the workforce need to support the lowest income families in particular to access high quality education and care (which will also improve the outcomes for the children) as well as improving the family's overall economic circumstances, and reduce their potential reliance on government support and allowances. This approach will also deliver the biggest return on investment for the whole community.

This means the best overall outcomes for families will come from policy decisions that give priority to the issues that are creating barriers for women not currently working and which support them to join the workforce. This in turn increases the overall number of women in the workforce, spreading the economic and social benefits to more families, not just those already in employment.

4. Overview: best practice approach to providing education and care

There is a considerable body of evidence from studies worldwide that have consistent conclusions. The evidence shows us 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.

4.1 Quality is important in early childhood education and care

The early intervention literature and brain research over several decades have demonstrated that the quality of environments that children experience in their earliest years is related to their future outcomes.

The best outcomes for children occur when education and care starts from birth, and when that care is of high quality. Research shows that 80% of brain development occurs before the age of three, and 90% before the age of four (MCEETYA, 2010, *Engaging Families in the Early Childhood Development Story*). It's not just cognitive skills that develop rapidly during this period, it's also the skills needed as the basis for lifelong learning and social skills.

Studies of early childhood education and care interventions for disadvantaged children show very clearly that there are both short and long term positive effects on the outcomes for those children who access high quality early education and care.

Importantly, it's not just that access to high quality early education and care can improve outcomes, evidence also shows that low quality education and care can actually lead to worse outcomes. Research by the Organisation for Economic Co-operation and Development (OECD) shows that children in low quality services are more likely to have language, social and development problems (*Starting Strong: Early Childhood Education and Care*, OECD, Paris, 2001, and *Starting Strong II*, OECD, Paris, 2006). We know that our society will eventually pay to address these problems, and the cost will be higher if we ignore the quality of children's earliest experiences.

In Australia, we have made significant gains to ensure quality for children. The NQF is built on the Early Years Learning Framework (EYLF), which after considerable consultation was agreed by COAG in November 2008 as the national curriculum for children aged from birth to five years and through the transition to school, for implementation from 1 January 2012.

The EYLF describes the principles, practices and outcomes essential to support and enhance young children's learning from birth to five years of age, as well as their transition to school. It recognises the importance of communication and language (including early literacy and numeracy) and social and emotional development.

The EYLF is an evidence-based best practice framework, integrating long day care and pre-school approaches, and is embedded in the NQF's independent assessment and rating of service quality. The delivery of this framework was a significant and substantial public policy achievement.

A major determinant of quality is the quality of the staff who deliver the service. Evidence shows that quality of services is positively correlated with the level of qualification of the educators. Highly qualified educators and teachers provide the quality learning environments that are not necessarily available in a 'care-only' environment, particularly when carers do not have extensive knowledge of child development and pedagogy. For this reason, the NQF also sets out the minimum requirements for qualifications and educator to child ratios.

The NQF has now been in operation for just over two years, following a three year implementation lead time. Services that are serious about achieving the best outcomes for children by delivering quality education and care are committed to and have already invested in meeting, if not surpassing, the standards required by the NQF.

The NQF provides a nationally consistent, evidence-based framework of quality education and care in order to deliver the best possible start for our children. We *know* this is the case, so to do otherwise is a deliberate abrogation of our responsibilities.

4.2 Affordability of quality services

While the NQF provides us with best practice for delivering quality education and care for children, the affordability of that quality education and care is intertwined with the ability to access a service and can't be ignored. Quality, affordability and access combined have a long term impact on outcomes for children, as well as the day to day lives of individual families.

It is important to recognise that quality of education and care **and** access **and** affordability are three separate public policy issues, and should not be conflated. But all three are necessary.

Any rolling back of quality standards in the NQF will negatively impact on education and care outcomes for children, particularly children from families facing disadvantage. However, quality education and care standards will have no impact if families can't afford them or are faced with other barriers to access. Rolling back the NQF will not address access and affordability – these need specific policy and funding responses.

As a service provider, the largest proportion of our costs are staff-related, with overheads including rent and maintenance costs as the second highest element.

As outlined in 4.1 above, evidence shows that the quality of a service is positively correlated with the level of qualification of the educators. It is also linked to the ratio of educators and carers to children, and these standards are embedded in the NQF. Reducing staff costs either means reducing the number of staff or the qualification level of educators, both of which will negatively impact on the quality of education and care for the child.

This means the other option to reduce costs is to reduce overheads, including rent. Many not-for-profit and community providers have historically relied on direct government funding, access to a physical location, and/or ongoing rent at a very low rate.

SDN's experience is that in recent years, state and local governments are tending to withdraw their investments in early education and care services by increasing rents to commercial levels, closing community-based services, or no longer investing in building new centres.

As a not-for-profit organisation, SDN does not have the surplus cash to invest in building new centres, and any increase in rent is a direct operating cost that can only be recovered through an increase in fees. This would make some services unviable for us to operate or unaffordable for local families, particularly those services we operate in lower socio-economic areas.

This trend to withdraw subsidies applies to employer-provided services sites, such as government departments and tertiary institutions that have in the past provided a location within their premises as well as subsidising the fees for their staff and students. The location may continue to be provided, but fee subsidies are now being removed, with families being required to pay full market rate as a result.

Governments are saying that they are concerned about the affordability of early childhood education and care for families, yet at the same time they themselves, as employers and landlords, are adding to the pressure by removing employer-sponsored services and subsidies, and increasing rents.

4.3 Access to affordable quality services

Lack of access to affordable, quality early childhood education and care affects the ability of parents (mainly women) to participate in the workforce. However, simply creating 'more care' or 'cheaper care' for the sole purpose of supporting parents to return to the workforce will not achieve the best outcomes for children, and in particular won't address the barriers for many people experiencing disadvantage.

The biggest gain for children **and** families **and** the community will come from investing in access to affordable quality education and care for families experiencing disadvantage,

including children with disability and their families, vulnerable families, and Aboriginal and Torres Strait Islander families. This can be achieved by reallocating current funding to support those who are not currently accessing education and care services due to cost barriers. Please refer to Recommendation 2 in Section 5 of this submission (following) for more detail.

Strategies for improving affordability need to support the lowest income families in particular to access high quality education and care. This will improve the outcomes for the children, and support parents to enter or return to study or the workforce, improving the family's overall economic circumstances and reducing their potential reliance on government support and allowances. This approach will also deliver the biggest return on investment for the whole community.

While affordability is a key issue for these members of the community, the best overall outcomes for families will come from policy decisions that give priority to the range of issues that are creating barriers for families to access quality education and care services. This includes addressing physical, cultural and social barriers that these families also often face.

4.4 The role of government

The early childhood education and care sector in Australia has a relatively high reliance on market provision. Governments have two forms of intervention available to them, indirect and direct. Indirect intervention includes the Child Care Benefit and Child Care Rebate, leaving the market to develop and deliver the services.

This reliance on market forces does not meet the needs of those children who, the evidence tells us, will benefit most from accessing quality education and care – children from families with low socio-economic status, who are vulnerable, children with disability, and children from Aboriginal and Torres Strait Islander Families.

SDN believes the role of government is also to directly intervene where the market can't or won't supply; for example in rural and remote areas, in areas where there is high demand and supply cannot be expanded, or where market forces mean the service would be unaffordable for the particular resident population.

This is not only because this is where we can achieve the best return on investment in quality education and care, but also because families facing disadvantage are the least likely to be able to afford quality care, and are more likely to live in areas where affordable education and care is not available.

A more detailed discussion of the impact of demand-side funding of the early childhood sector can be found in Early Childhood Australia's discussion paper, *Early Childhood*

Education and Care in Australia, prepared for the European Union-Australia Policy Dialogue, 11–15 April 2011.

5. Policy implications for government

The federal and state governments have already agreed on and are implementing the legislative and systems frameworks to guarantee quality early education and care services for children. The next step is addressing the affordability of those services, and removing the barriers to access for families, which will in turn allow them to participate in study or the workforce.

Given a limited pool of resources, government funding and policy support should be directed where there is market failure, which is where the greatest gains can be made for individual children and families as well as the community as a whole.

The focus should be on directly supporting early childhood education and care services to increase the participation of families experiencing disadvantage, by improving the affordability of services for those families and increasing the number and location of services.

For those families who are not experiencing disadvantage, government support should only be through additional (new) indirect funding (which could be redirected from the proposed paid parental leave scheme), allowing the market to meet much of the demand.

Our specific recommendations are:

Recommendation 1:

Commitment to the National Quality Framework

SDN fully supports the National Quality Framework – it is accepted as best practice for delivering quality of education and care, and should not be rolled back or watered down.

Rolling back the NQF will negatively impact on education and care outcomes for children, particularly children from families facing disadvantage. At the same time, this approach will not address issues of access and affordability – these need specific policy and funding responses.

Recommendation 2:

CCB and CCR combined and paid to service providers

The means tested Child Care Benefit (CCB) and the non mean tested Child Care Rebate (CCR) should be combined into one payment with a base amount and then a sliding scale that is means- tested. The combination of these two payments alone would reduce an administrative burden on services. The administrative burden would be further reduced by streamlining the payments, for example making the calculation of the benefit more transparent and less changeable so families' fees can be more easily calculated. Payments directly to services on a regular schedule will give a more secure cash flow for services, particularly smaller services. One of the benefits for all families is that their cash outlay for fees is reduced (rather than, for example claiming back CCR on tax). This is a particular benefit for families where the parents are not working and need the immediate reduction in cash outlays.

Recommendation 3:

Support services to deliver quality education and care

Funding should be targeted at services in areas with very vulnerable populations to offer additional university qualified teaching staff and family support services, so they can offer enhanced education and care services. This is particularly important for services working with children with disability and their families. Services should also be supported to build their skills, knowledge and confidence to include children who are vulnerable and/or have higher support needs than the general population.

The market is failing to support these children and families, and government intervention is required in order to make quality services for families facing disadvantage more affordable.

This funding should be provided directly to service providers (preferably not-for-profit service providers as this is public money), with allocation of the support being based on Socio-Economic Indexes for Areas (SEIFA) ratings and existing methods of calculating loadings such as the pre-school loadings in NSW. Current funding such as Special CCB and the planned funding to support the extension of the Paid Parental Leave system could be restructured and reallocated to be more targeted towards services in areas of need, and to be more flexible, for example removing the artificial cap of 18% on the use of Special CCB within any one service.

Recommendation 4:

Budget based funding for specific services

Budget-based funding for specific services, such as the Multifunctional Aboriginal Children's Services (MACS) and mobile services, should be continued and expanded. SDN supports the recent Early Years Pathways proposal by the Secretariat of National Aboriginal and Islander Child Care (SNAICC) for a ten-year commitment to funding integrated Aboriginal-specific services.

Budget based funding specifically supports services being delivered where the market is failing families, and is another example of where the government needs to intervene.

Recommendation 5:

Support for more physical locations in the areas that need them

Policy and financial support is needed so services can build and operate services in identified disadvantaged areas, which may include use of Crown land (such as primary schools) at very low rents, encouraging rental subsidies through tax benefits for landlords, and working with local governments to streamline planning and development approval processes for early education and care services. This is another example of market failure, and the location and approval of these services should be planned based on a range of demographic data including SEIFA rankings and the Australian Early Development Index. This will increase the number and location of services and improve affordability in those areas that will give the best outcomes for families and the community. It will also take pressure off existing services, which will benefit all families.

6. Terms of Reference – specific responses

Within the context of our recommendations outlined above, SDN makes the following specific responses to the Terms of Reference:

a. Cost and availability for parents over the short term, including the effectiveness of current government rebates.

As outlined in Recommendation 2 in section 5 above ‘Policy implications for government’, SDN recommends consideration of combining and restructuring Child Care Benefit (CCB) and Child Care Rebate (CCR), and making the payments directly to service providers. Special CCB (SCCB) should also be restructured and targeted to support services in the areas of greatest need.

These are the sorts of administrative efficiencies that will reduce the administrative burden for services without impacting quality of education and care for children, and improve affordability for those families who need the most support. It will also improve the transparency of fees for all families, and can be achieved within the current funding envelope of CCB, CCR and SCCB.

Additional benefits would be gained from directing the proposed funding for the extension of the paid parental leave to support the affordability of education and care services for families with children for the full five years prior to them starting school.

From the families’ point of view, the rules around accessing the rebates can be confusing (and particularly so for families with complex circumstances), and are not flexible enough to take into account individual circumstances.

The fact that applications for CCB and CCR are managed through Centrelink can be a barrier for many Aboriginal families who do not like dealing with the government where their children are concerned. The calculation of the benefit is complex and not transparent, and can vary from week to week depending on hours of attendance at a centre and other factors. The rules for each of the two rebates are different, and they can be paid through different means.

A child can lose CCB because they have passed the maximum number of allowable days absent, and this can quickly lead the family into debt with the service. For children with disability and/or illness or children from Aboriginal and Torres Strait Islander families (who can be highly mobile), the maximum number of days absent is not flexible enough for their needs and creates an unnecessary cost barrier, not to mention the additional stress of dealing with bureaucracy to have CCB reinstated.

For services in areas with vulnerable populations, direct service funding is needed to overcome market failure. Please refer to Recommendation 3 in section 5 above ‘Policy implications for government’.

The OECD report *Starting Strong II: Early Childhood Education and Care (2006)* says:

‘The evidence suggests that direct public funding of services brings more effective governmental steering of early childhood services, advantages of scale, better national quality, more effective training for educators and a higher degree of equity in access compared with parent subsidy models.’

b. Administrative burden, including the introduction of the National Quality Framework.

The NQF has now been in operation for just over two years, following a three year implementation lead time. Services who are serious about delivering quality education and care are committed to and have already invested in achieving, if not surpassing, the standards required by the NQF.

SDN planned for and invested in the implementation of the NQF through investment in systems and staff. We consider these to be one-off transitional costs, and remain committed to the NQF as a best practice approach for achieving outcomes for children.

SDN refers the Committee to the recent ACECQA *Report on the National Quality Framework and Regulatory Burden* published in November 2013 for research and discussion on this issue.

SDN fully supports the NQF and accepts that any professional service must have effective regulation and reporting requirements. We do not accept sector self-regulation as appropriate for ensuring best quality outcomes for children.

Any professionally-run organisation that is genuinely committed to delivering quality early childhood education and care should welcome the opportunity for external, independent assessment and review as part of their quality improvement cycle. It is a community expectation as well as a regulatory one that an organisation’s financial accounts be independently audited annually, and the children and families in our services should be able to expect the same level of transparency about the quality of service delivery.

Any amendments to the NQF need to be considered in the context of the impact on educational and developmental outcomes for children, and should be evidence-based, not ideologically-based. Amendments to quality standards should not be made in order to resolve pressures from particular interest groups. The cost of compliance with quality standards needs to be balanced against the benefits from reaching those standards.

For example, the recent extensive ACECQA review into the implementation of the NQF as outlined in its two-part *Report on the National Quality Framework and Regulatory Burden* (November 2013) discusses perceptions of administrative burden as a result of the introduction of the NQF. One of its findings was:

‘Overall, the assessment found that documenting educational programs and assessing children’s learning are the costliest ongoing administrative activities. Importantly however, providers also consider these activities generate *at least an equivalent increase in the quality of education and care.*’ [italics added]

The administrative burdens that are being labelled as ‘red tape’ and additional costs are in fact the additional requirements that support the improvements in quality that will in turn deliver improved outcomes for all children.

The ACECQA *Report* also notes,

‘A significant portion of burden was found to be driven by the transition to the NQF, suggesting that a decrease in administrative burden, perceived and experienced, can be expected at the next stage of the research. This is evidenced by both the perception survey, which demonstrates that the level of perceived burden has already declined between 2012 and 2013, and the assessment findings, which suggest that the cost of compliance is reducing with improved familiarity with the Framework.’

This is in line with SDN’s own experience.

c. The current regulatory environment and the impact on children, educators and service operators.

SDN refers the Committee to the recent ACECQA *Report on the National Quality Framework and Regulatory Burden* published in November 2013 for research and discussion on this issue, including any impact on educators and services.

In October 2012 we asked our centres to undertake a short survey of the children in our services as part of Children’s Week, so we could hear their voices directly. More than 200 children, aged from six months to five years of age responded to the questions, ‘what do you like and what don't you like about your centre?’

The responses came back in a range of formats including observations from staff about young children's preferences; photographs; drawings and recorded conversations.

We heard that ‘relationships’ were what children liked the best about their centre, particularly relationships with staff and their friends, and being able to see any siblings at the same centre. This emphasises the importance of our staff and their ability to establish respectful, high

quality relationships with children in their care. This is what impacts on children the most during the time they spend in early childhood services.

d. How the childcare sector can be strengthened in the short term to boost Australia's productivity and workplace participation for parents.

As discussed in Section 3 'Policy outcomes for three audiences' above, the greatest gains for the community would come from supporting those who are not currently in the workforce to participate. This includes streamlining the indirect government rebates to better support families facing disadvantage, and restructuring direct funding to support services in areas with vulnerable populations. By improving affordability for these families, and increasing the number of services in areas with vulnerable populations, the most disadvantaged families will benefit. This offers the best return on investment for government funds.

The most direct way to increase the availability of affordable child care is to fund the building of new services and subsidise their ongoing operations through rental subsidies. Please refer to Recommendation 5 in section 5 'Policy implications for government' for more on this issue.

e. Any related matters

Differences between the states in their funding models for different types of services reduce the ability of services to be flexible in their delivery. Pre-schools do not fall under the federal government's Child Care Benefit and Child Care Rebate schemes, but instead attract state government funding which long day care centres and family day care do not attract. This makes it difficult for example for pre-schools (which operate from 9.00am to 3.00pm) to extend their hours to operate as long day care centres while continuing to deliver a pre-school program.

This means for example a four year old can be attending a long day care service offering a pre-school program and the parents are eligible for CCR and CCB, but if that same child transfers to a pre-school then they are no longer eligible. If that child is then also enrolled in outside school hours care to be looked after once pre-school finishes for the day, then the family is again eligible for CCR and CCB but only for the out of school hours care.

7. For more information

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8. References

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