

## **ADDITIONAL COMMENTS BY SENATOR NICK XENOPHON**

1.1 I welcome the Senate Education and Employment Committee's report into the immediate future of the childcare sector in Australia. In particular I would like to thank the committee for giving each of the childcare inquiries considered and specific attention, particularly due to the overlap in some of the issues discussed.

1.2 Early childhood education and care (ECEC) plays an essential role in a child's development but also that child's family's ability to participate in the workforce. Despite this, the sector has faced and continues to face a multitude of hurdles. Rising day care fees, increased regulatory compliance requirements, relatively low wages and high rates of workforce attrition all contribute to the difficult landscape in which providers and family must navigate.

1.3 I fully support the committee's comments and recommendations in their report into the immediate future of the childcare sector in Australia. In particular I was pleased with the committee's recommendation that 'the government rescind its proposed budget changes to ECEC funding, particularly in relation to (Child Care Benefit)'.

1.4 The Child Care Benefit ('CCB') and the Child Care Rebate ('CCR') are the two main payments made by the Commonwealth to families to assist with the costs of ECEC. The CCR which is not income tested and is paid to assist with the out of pocket costs of childcare has been capped at \$7500 for the next three years. The rebate was frozen at this level in the 2010–2011 Budget.

1.5 The CCB is means tested and paid to lower income families at differing rates, depending on the family's individual circumstances. The Government intends to freeze the income thresholds for this benefit for three income years. There is widespread opposition to this proposal as financial assistance is failing to keep pace with increases in the cost of childcare and indeed the broader cost of living.

1.6 The concerns about the state of the CCR and CCB were summarised by Ms Gwynn Bridge, President of the Australian Childcare Alliance:

The subsidies that families receive for ECEC for their children to be educated and cared for in high-quality and supportive environments have eroded over the past decade. This erosion has occurred through bracket creep and the freeze on the childcare rebate, together with the CPI increases on childcare benefit failing to keep pace with the ever-increasing costs of the provision of care. From budget 2014, families using ECEC will again bear erosion of subsidies.<sup>1</sup>

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1 Ms Gwynn Bridge, President, Australian Childcare Alliance, *Proof Committee Hansard*, 21 May 2014, p. 32.

1.7 The importance of improving childcare affordability was highlighted by the Grattan Institute, who in 2012 reported that:

Removing disincentives for women to enter the paid workforce would increase the size of the Australian Economy by about \$25 billion per year. The most important policy change is to alter access to Family Tax Benefit, and [C]hild Care Benefit and Rebate so that the second income in a family – usually, but not always, a mother – takes home more income after tax, welfare and child care costs.<sup>2</sup>

1.8 Childcare costs have been increasing steadily, with some centres charging up to \$200 per day for their services.<sup>3</sup> The Australian Childcare Alliance conducted a parent survey which revealed how price sensitive families are to changes in rates charged by providers:

...when fees increased by 10 percent approximately 48 percent of parents would decrease their usage of childcare by one or more days or withdraw completely from care. This result is exacerbated with a 20 percent increase in fees, where more than 70 percent of families indicated they would reduce usage by one or more days or withdraw completely.<sup>4</sup>

1.9 It is clear affordability is a key issue for families. The fees providers choose to charge are determined by a range of factors. The committee heard evidence from a number of submitters and witnesses regarding the cost to providers of implementing the National Quality Framework ('NQF'), a unified national system regulating childcare.

1.10 The objective of the NQF is to raise the quality of childcare and to encourage continuous improvement and consistency in the ECEC sector. In order to achieve these objectives providers are required to comply with the National Quality Standard ('NQS'), an instrument that sets benchmarks and applies ratings to the services offered by the provider. The areas that are rated by the NQS are:

- Educational program and practice
- Children's health and safety
- Physical environment
- Staffing arrangements
- Relationships with children
- Collaborative partnerships with families and communities
- Leadership and service

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2 Grattan Report, as cited in Australian Childcare Alliance, *Submission 13*, p. 9.

3 Ms Nesha O'Neil, President, Child Care New South Wales, *Proof Committee Hansard*, 23 May 2014, p. 5.

4 Australian Childcare Alliance, *Submission 13*, p. 9.

1.11 I acknowledge that providers are able to use the rating given by the NQS to demonstrate the strengths of their particular service. However I have concerns regarding the regulatory burden imposed by the NQF and the NQS. I raised these concerns with the Department of Education during the committee's public hearing in Canberra:

**Ms Wilson:** ... I think that what has happened is that with all good intention people established processes and some of those processes have added to layers of form-filling and red tape that people had not envisaged.

**Senator XENOPHON:** Are you saying that the paradox is that the intention of the process was to reduce red tape and an unnecessary regulatory burden, but it has had the perverse outcome to some degree of adding to that, because of the process?

**Ms Wilson:** That has been some of the feedback.<sup>5</sup>

1.12 The Australian Childcare Alliance confirmed to the committee that 56 percent of their members reported that the introduction of the NQF has resulted in them spending decreased or significantly decreased time with the children in their care.<sup>6</sup>

1.13 I agree that a national system improves consistency in what is required of an ECEC provider, however I have serious concerns that a single over-all rating is given rather than discrete ratings for each area. These concerns were raised with the Department of Education:

**Senator XENOPHON:** Noting that quality area one is 'educational programs and practice', area two is 'children's health and safety' and area seven is 'leadership and service management', some parents might view 'health and safety' or 'educational programs and practice' as having more weight than the way in which the centre is managed, although the two obviously can be linked together.

**Ms Wilson:** I agree with you. As parents we would want to make sure that area two, health and safety, is well and truly covered, so that when you take your child somewhere you know they are safe and that their physical environment is actually—

**Senator XENOPHON:** The point I am making, perhaps from a parent's perspective, is that they might have fantastic partnerships as families and communities, under area six, and they might pass leadership and service management with flying colours, and they might pass overall, but when it comes to health and safety and educational programs and practice they might be lagging behind. I think that is something parents would want to see. That is the feedback I have been getting.<sup>7</sup>

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5 Ms Jackie Wilson, Department of Education, *Proof Committee Hansard*, 22 May 2014, p. 5.

6 Australian Childcare Alliance, *Submission 13*, p. 25.

7 Ms Jackie Wilson, Department of Education, *Proof Committee Hansard*, 22 May 2014, p. 6.

1.14 I strongly encourage the Australian Children's Education and Care Quality Authority ('ACECQA'), the body leading the implementation of the NQF to consider revising the rating mechanism to allow providers to receive individual ratings for each of the seven assessable areas in order to improve transparency and provide a more accurate snapshot of the childcare provider's services.

### **Recommendation 1**

#### **1.15 That a separate rating is provided for each of the seven NQS areas assessed by ACECQA.**

1.16 I am also concerned that the assessment of childcare services by ACECQA is running so far behind schedule. In ACECQA's 'NQF Snapshot' for the first quarter of 2014 (released in May) it states that as at 31 March 2014 of the 14 358 ECEC providers in Australia, only 35 percent had been assessed.<sup>8</sup>

1.17 Concerns about the delay in assessing providers were echoed at the committee's public hearing in Melbourne:

One of the main things that are worrying the Australian Childcare Alliance is that the task of assessment has been huge, and the states are miles behind where they should be with assessing all the services around Australia. I think even to this date not even half are done, but that could have changed. What it means is that some services have already gone four years without a compliance visit. They may still go another two or three years, because the states are flat out trying to get through, and now those in the first lot they assessed who got 'working towards', which only gave them one year, are now coming up for reassessment. The assessment is just blowing out.<sup>9</sup>

1.18 Clearly greater resources need to be applied to this assessment process in order to properly implement the NQF and for the NQF to achieve its objectives.

### **Recommendation 2**

#### **1.19 The Government consider allocating more resources to ACECQA in order to expedite the ECEC provider assessment process.**

1.20 I also have concerns surrounding the capping of places for in-home care ('IHC'), particularly given its flexibility to respond to individual families' needs. In its submission to the Productivity Commission's inquiry into childhood and early childhood education, the National In-Home Childcare Association ('NICA') explained:

In-Home Care (IHC) is a capped, small, vital and integral part of child care services for families and a highly successful part of the early childhood mix and is presently only half of one percent of the Early Childhood budget of more than \$25 billion over the next four years.<sup>10</sup>

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8 ACECQA, *NQF Snapshot Q1 2014 (May 2014)*, p. 2.

9 Ms Gwynn Bridge, *Proof Committee Hansard*, 21 May 2014, p. 35.

10 National In-Home Childcare Association, *Submission 18*, p. 7.

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1.21 NICA continued:

IHC is recognition that some families do not have access to other child care options for a range of reasons, including non-standard working hours, which affects workers in a range of industries like emergency services, health, tourism, performing arts, retail and manufacturing. Many families live in remote locations with dispersed populations where there are no other forms of child care.<sup>11</sup>

1.22 Families wishing to use more flexible childcare options such as IHC may be stopped from doing so for a number of reasons. Firstly the cap on places limits supply, but where IHC educators are available families may be concerned about the lack of formal mechanisms in place to regulate the industry. NICA has proposed working with the Australian Nanny Association, Family Day Care and governments to 'set-up a system of vetting and registration of educators to ensure all child care educators deliver high standards of care for the children they care for'.<sup>12</sup>

1.23 NICA has proposed to extend the current cap by 25 000 places and to require all IHC educators to be registered, to meet the standards required by the NQF (for example, to require educators to have or be actively working towards a diploma level qualification in ECEC or above) and to be vetted by State Regulators.

1.24 I support such a proposal as a sensible move towards providing more flexible care options for modern, working families while ensuring these educators are fit and proper people with appropriate qualifications.

### **Recommendation 3**

**1.25 The Government consider and provide a prompt response to NICA's proposal for greater in-home care in Australia.**

**Senator Nick Xenophon**

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11 National In-Home Childcare Association, *Submission 18*, p. 7.

12 National In-Home Childcare Association, *Submission 18*, p. 18.