



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS
REFERENCES COMMITTEE

Reference: Provision of child care in Australia

WEDNESDAY, 22 JULY 2009

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SENATE EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS

REFERENCES COMMITTEE

Wednesday, 22 July 2009

Members: Senator Humphries (*Chair*), Senator Marshall (*Deputy Chair*), Senators Back, Cash, Jacinta Collins and Hanson-Young

Participating members: Senators Abetz, Adams, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Colbeck, Coonan, Cormann, Crossin, Eggleston, Farrell, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Heffernan, Hurley, Hutchins, Johnston, Joyce, Kroger, Ludlam, Lundy, Ian Macdonald, McEwen, McGauran, McLucas, Mason, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Sterle, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Back, Jacinta Collins, Hanson-Young, Humphries and Marshall

Terms of reference for the inquiry:

To inquire into and report on:

- a. the financial, social and industry impact of the ABC Learning collapse on the provision of child care in Australia;
- b. alternative options and models for the provision of child care;
- c. the role of governments at all levels in:
 - i. funding for community, not-for-profit and independent service providers,
 - ii. consistent regulatory frameworks for child care across the country,
 - iii. licensing requirements to operate child care centres,
 - iv. nationally-consistent training and qualification requirements for child care workers, and
 - v. the collection, evaluation and publishing of reliable, up-to-date data on casual and permanent child care vacancies;
- d. the feasibility for establishing a national authority to oversee the child care industry in Australia; and
- e. other related matters.

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Committee met at 9.09 am

CHAIR (Senator Humphries)—I open this public hearing of the committee's inquiry into child care. This inquiry was referred to the Senate Education, Employment and Workplace Relations References Committee on 25 November 2008 and the committee is due to report on 17 September. The committee's terms of reference have as their starting point the collapse of ABC Learning but only to the extent that this has provided a catalyst for future policy directions on childcare provision. The committee will be considering funding issues affecting community and not-for-profit and commercial childcare operations, the need for a national regulatory framework, the training requirements of the sector and the important link between child care and early childhood learning.

This inquiry is taking place at the same time as policy formulation within the Department of Education, Employment and Workplace Relations on national frameworks, which have been agreed to by COAG. The committee's report is intended to inform that process. The committee is grateful for having received a large number of informative and authoritative submissions. Before the committee starts taking evidence today, I advise that all witnesses appearing before the committee are protected by parliamentary privilege with respect to their evidence. This gives them special rights and immunities because people must be able to give evidence to committees without prejudice to themselves. Any act which disadvantages a witness as a result of evidence given before the Senate or any of its committees is treated as a breach of privilege. Witnesses may request that part or all of their evidence is heard in private. However, I also remind witnesses that giving false or misleading evidence to the committee may constitute a contempt of the Senate.

[9.11 am]

GLOYN, Mrs Dianne, Childcare Professional, Liquor, Hospitality and Miscellaneous Workers Union—Childcare Union

LEIGHTON, Ms Jacinta, Childcare Professional, Liquor, Hospitality and Miscellaneous Workers Union—Childcare Union

LINES, Ms Susan, Assistant National Secretary, Liquor, Hospitality and Miscellaneous Workers Union—Childcare Union

THIELE, Ms Jodie, Childcare Professional, Liquor, Hospitality and Miscellaneous Workers Union—Childcare Union

WHITTY, Ms Kathrine, Childcare Industry Coordinator, Liquor, Hospitality and Miscellaneous Workers Union—Childcare Union

CHAIR—Welcome. Thank you for your appearance today. We have a submission from you. It is a very comprehensive one. Before we ask you questions, we would like to invite you to make an opening statement if you wish.

Ms Lines—Thank you. Firstly, I would like to acknowledge the traditional owners, past and present on whose land we meet today and thank them for allowing us to appear here today. We are the childcare union. We cover childcare workers right across Australia in all sectors including local government. We are very concerned about the issues within the sector and we thank the Senate for giving us the opportunity today to come along and address you.

There are a couple of key factors about the childcare industry. It is predominantly a female industry. There are over 100,000 workers in Australia. The sector is predominantly private for-profit. Nationally that figure is around 70 per cent with about 30 per cent of the sector being comprised of the community sector. However, that figure is starkly different in South Australia where the community sector is about 41 per cent. But that is an anomaly because basically across Australia it is a private for-profit sector. It is a sector that the federal government invests substantial amounts of money in, largely through subsidies to parents either through childcare benefit or through the childcare rebate and that figure this year is forecast to be \$3.12 billion of money that substantially goes to parents.

I appreciate your opening comments that ABC was the catalyst because prior to the collapse of ABC the sector was already in crisis. It is in crisis because staff are leaving in droves. The national average of turnover of staff in childcare is 30 per cent. In South Australia it is 60 per cent. It is very hard for childcare centres to attract and retain qualified staff and that means that on a regular basis childcare centres are seeking exemptions from the regulations. They seek exemptions to get around not having to provide qualified staff because they simply cannot get them. Clearly, we had a childcare sector in crisis. ABC put the childcare sector on the front pages of the business pages and has really focused much greater attention on the industry. I guess, in hindsight, that is a good thing.

Our members here today are going to talk to you about wages and qualifications, and the difficulties they have in studying to get higher qualifications. They are also going to talk to you about what a joy it is to work in the sector and what a privilege it is to work with children aged from zero to six. They are going to hand you some portfolios on children that they are required to keep. However, they are confidential documents, so we ask that you have a look at them and then hand them back. But we do have a portfolio that we can leave and that can form part of your records.

Wages are probably the key issue, but the other issues we will canvass with you today are the need for a planning model in child care and the need for licensing to be much more stringent than it is. We also want to canvass funding. Childcare wages are low. They are between \$15 and \$19 an hour. For that, parents and the community expect a very high standard, and indeed they get a very high standard of care from childcare workers. What has the union done about wages? The LHMU have taken every opportunity presented to it in state and federal tribunals to move wages. Our success at moving wages in accordance with pay equity and work value principles is widely acknowledged and reported. Indeed DEEWR in its submission to the Senate on pay equity actually acknowledged the role that the union played. Yet for all of this effort, childcare workers' wages are still around \$10 an hour below established key minimums for other professionals in other areas of work.

Structural impediments, not the will of childcare workers, have stood in the way of real wage justice over the last 20 years. In the most recent case which we ran about three years ago, it took three full bench decisions and more than six months of waiting to move wages, and even then childcare workers had to wait 18 months to feel the full effect of that wage justice. You can appreciate that any benefit that may have arisen out of the union starting that case which took three years to reach its final conclusions was well and truly lost. That is largely because we had to operate in an adversarial context. Most of the employers in the industry opposed wage increase, so there were substantial roadblocks put in the way of the union in achieving that wage justice.

Outside of that, there is widespread support and consensus among credible stakeholders that childcare workers are undervalued and employers are on the record as supporting higher wages in the sector. How do we get there? We would really be grateful if the Senate could make some comments about the funding model. The fact that \$3.12 million is going to parents does not do a single thing to lift wages. It does nothing to enhance quality in the sector and it also does not provide the stick that the sector needs. It needs the carrot as well as the stick.

What we want to see? We want to see the childcare rebate scrapped. We want to see that money redirected into wages. This financial year the childcare rebate is \$1.12 billion. It is not means tested; it is paid to every eligible parent using an accredited centre. Clearly, we think that the childcare rebate is out of step. In terms of the childcare benefit, currently almost \$2 billion is paid to parents. We think it needs to be paid to parents but we think it needs to be rejigged. What we know about childcare is that low-income families are locked out of child care. They cannot afford to pay the gap fee. We want to see an overhaul of the childcare benefit to move it downwards, so that substantial fee relief is given to low-income families and that it is gradually phased out over time.

In addition, if we were able to achieve a funding review, we also think there needs to be a review of what it costs to operate child care within our community, both in the private for-profit and the community based sector. Clearly, there is a capacity to pay in the sector. Putting ABC to one side, it is not a sector where there is a lot of changeover of centres, where you see centres closing every day of the week. We think there is a capacity to pay in the sector, but with billions of taxpayers' dollars going to parents there is no opportunity for the federal government to influence that. We say any funding review also has to be done alongside a review of what the capacity to pay is in the sector because we have substantial reforms coming through COAG. They are very bold and very exciting reforms, but they will not come to fruition if we really do not get a handle on this sector.

That brings me to the last two points and I will finish. One is a planning model. At the moment if anyone wants to operate a childcare centre they can open it wherever they want to without any thought to its long-term future or indeed its immediate viability. Of course they have to get planning permission from the local authority and so on, but there are no controls. That means that in Australia we have an oversupply in some areas and in fact what we do know is that a lot of childcare centres and certainly new providers put their centres where the childcare benefit is. They put it into places where there are two-income families working. What we do not see anymore is a lot of childcare centres in low income areas because they are the families that cannot afford child care, that need it but cannot afford it. So that leads to an oversupply in some areas and an undersupply in others. That is why we have got this really peculiar thing in Australia where many centres are oversubscribed, with very long waiting lists, and others have vacancies. We do need a planning model in the same way that an aged care provider cannot go and open a nursing home wherever they want. Those nursing home beds are strongly held by the federal government and they need to be and they are located on a needs basis. That is what we want to see child care get to. Let us have a planning model that is on a needs basis that suits the needs of families.

The last point is licensing. I am not sure what the senators know about child care and how much others have said that, but in most states you can get a childcare licence, the licence to run a centre, for no cost. There are very few things in our community where we do not pay for things. We even pay to fish. But in many states you simply going and apply for a childcare licence. There is no cost. The state that has to regulate that through ensuring that the centre complies with all the regulations. What we want to see is a licensing fee. There should be a substantial fee to set up a childcare centre. It should be a substantial fee to make sure the state can use that money to make sure there are compliance officers in place. What we then want to see is an ongoing licence fee, a yearly fee, and for that money to be put into a central pool to be used for staff development and other things that enhance the quality of care.

The other point about licensing is that at the moment licensing goes to ratios, the qualifications of staff, who is in charge or the supervising officer and the physical location and makeup of the building, as it should do. That suited a model of childcare that we had 20 years ago. We have got new business models in the sector now which are totally unregulated. So the new business model in the sector is one where an operator runs the centre, another company owns the building and someone else may own the land. It was the ABC model but it is not exclusive to ABC. All those three elements of a childcare centre need to be regulated. We need to know who owns the building, because obviously if there are problems with that operator there will be problems with the childcare service. We need to know who is operating the childcare

service and whether or not they have got the financial capability to do that. So we say that the licensing regime needs to cover all of those elements. We have also now got an emergence of private equity companies in child care and we need to know who they are, what their financials are and if they are going to be around for the long term.

In closing, we thank the Senate for the opportunity to speak this morning, and I will hand over to Diane.

Mrs Gloyn—I am assistant director at the Flinders University community-based childcare centre. We are very lucky to have our childcare centre on the university grounds. We are totally self-sufficient and funded by fees from parents but we do get some support with the maintenance of our buildings and our power and light. We are very fortunate. It is very beautiful centre built on the grounds of Flinders University. It is very large and there are many trees. I have been there for 23 years. I started as a casual unqualified worker and became a permanent unqualified worker, studied and now have moved up to be an assistant director.

Our centre is very unique in its physical setup. I do not know if you have visited any childcare centres, but generally a centre is a big building that is divided into rooms, depending on the ages of the children. Our centre is four completely separate buildings linked together by a series of pathways and walkways. It is a 110-place centre and we have four age groups: six weeks to 18 months, 18 months to 2½ years, 2½ years to 3½ years, and 3½ years to 5 years. There are four separate buildings. We find that that really helps children to learn, in an environment where the age group is very close. You have the 3½- to five-year-olds being able to do fantastic cutting experiences and play with small Lego and things like that, without having to worry about two-year-olds eating the glue or the Lego. So the centre is set up very differently.

I work in what is called the Toddler House. We care for children aged from 18 months to 2½ years. When I started working there, we had very many full-time children. A lot of people used full-time care. We have a mixture of about a third who are children of workers from the university—lecturers, some groundspeople and lots of different people who work at the uni. A third are children of students at the university and a third are from outside the university—people from the local community.

It is quite different these days. There are not that many children who use full-time child care in our centre anymore. Parents are finding it very difficult to be able to afford full-time care. So out of the 30 licensed places that I have in Toddler House, I can have 30 children between the ages of 1½ and 2½ in a day. Very few of them are there full time. We have a mixture of children who have one day with us, one day with their grandparents, one day at home with Mum, and then another day with a friend. So the makeup is lots of bits and pieces of children and a few full-time children. That means that there are about 55 different families that use just my building in a week. That is 55 different families that we form relationships with and get to know. That is a lot of different families in a week.

Each building is the same in the 3½- to five-year-old buildings where they are licensed for 32 children. That is made up of approximately 60 different children who come over the week. Thirty toddlers sounds like an incredibly terrible number of toddlers to have in one room, but we are very lucky in Toddler House. Our room is divided to incorporate a method of care called primary caregiving. That means that every child is allocated a primary caregiver. We have five

primary care groups in our building. We have two on one physical side of Toddler House and three on the other side—it is a little bit bigger. That means that we have quite small groups. The studies have proven that the smaller the group of children the better the quality of care. The smaller the number of adults in a room, the smaller the group and the more attachments you can make.

We have five primary care groups, which means that we have five primary caregivers. So we have five workers who form especially strong bonds with the children and their families. The children are looked after by everybody, but each primary care group eats together, sleeps together and does special activities together. The primary caregiver is responsible for meeting the nappy changing and toileting needs of a particular child. It is a really, really strong bond. Current research shows that children who develop strong attachments are confident to go off and explore their environment. They feel safe, they feel secure, they go off and explore their environment, and this leads to learning, success, confidence and positive self-image. It is called the ‘circle of security’, and that is what primary caregiving does. So the responsibility for each primary caregiver is quite huge. You have this group of children you are responsible for—not only for their physical wellbeing, their emotional wellbeing, their learning and their development, but you also nurture their parents; you become a counsellor. I have had parents in my office in tears because their newborn baby has died, and we have developed a plan together of what language to use with their two-year-old to explain this terrible event. I am not trained to do stuff like that. That is the sort of stuff that you have to learn by yourself if you are to offer the care that these children and their parents deserve. The parents pay quite a bit of money for child care and they expect a very high quality of care.

So each staff person who is a primary care giver is responsible for devising these learning portfolios on their children. Each of my 55 children who come to our building every week has a portfolio. This is their developmental portfolio. We have qualified people who are primary care givers. They are permanent workers and they are fabulous. They have been there for years and are a wealth of knowledge. They are also responsible for taking observations of their children.

With technology as it is now we use a lot of digital photographs, so we have had to teach ourselves how to use digital cameras and how to load the images onto the computer. We have had to buy computers and digital cameras for each room. All of that has to come out of our internal budget. We have had to train ourselves in computer skills, which a lot of people—especially older workers—may not have been very familiar with. With the development portfolio that each child has there are observations in all of the different development areas, there are digital photographs, there are planned experiences, there are ideas for experiences, and those experiences come from evidence we have seen of the children—their challenges, their strengths, their interests, their friendship groups. This is all done with two hours a week of non-contact time, not for each primary care giver but for the whole room. Obviously, that is not enough time to do anything. Most of the programming work is done on the floor in lunch breaks and at home because we care about these children—

CHAIR—Could I just ask if the three witnesses who have not spoken yet are also going to make a presentation.

Ms Lines—Yes.

CHAIR—We have a limited amount of time. We have to leave some time for questions.

Ms Lines—We will be short.

Mrs Gloyn—The whole point is that this is what parents expect. We have a national accreditation system that demands that all children have developmental records—they have observations, they have planned experiences, they have evaluations. The award allows for up to two hours of programming time a week. There is no minimum amount of time stated; it is up to two hours a week. We want a minimum of four hours per week. There is also a new national curriculum framework being put into child care. There is no training, there is no non-contact time, there is no funding—it is just being implemented.

We in South Australia are about to implement a new SACE—the secondary school certificate here; it is equivalent to years 11 and 12—and it has taken the education department 18 months of meetings, non-contact time and training to implement it. There is no way that teachers would put up with having to implement a new curriculum if there is no training or non-contact time.

Ms Leighton—I currently work at a community based child care centre. I work in the baby room, which is three-month-olds to two-year-olds. Each day we are licensed for 14 children. The focus on what I will be talking about today is the difficulties in studying and trying to work full-time. I am currently studying towards a diploma in children's services through the Gilles Plains TAFE. It is offered through the Six Easy Steps program. Six Easy Steps is a condensed program that is offered to children's services assistants and professionals who already work in the industry. The reason I chose to continue studying is to gain more experience in the industry, to open up new doors and career pathways, to eventually study at university for a teaching degree and to gain further knowledge about children's development. Eventually, the minimum entry requirement into child care will be a Certificate III and then a diploma as a team leader, and having two diploma studies staff members in each room.

I currently study every Tuesday night for a couple of hours after work, so it is in my own time. I also study on Saturdays, when I have classes all day. Although most centres offer study leave, this is only available to employees if the classes are during work hours. Unfortunately I cannot access that study leave, so everything I do is in my own time. As well as having to bring home TAFE assignments and all those sorts of things, I have to participate in compulsory development training, including first aid, mandatory notification and asthma training. I have to attend workshops on children's development, staff meetings, annual general meetings, working bees and accreditation meetings. Attendance for all of that is compulsory and it is all unpaid. And not only that, but we have to fit in and catch up with the children's portfolios. As Dianne mentioned, we get two hours a week. I have 13 primary care children in my room, so two hours a week is definitely not enough time to update and continually do the children's portfolios. On average I spend four to five hours of my own time a week, at home, working on assignments and children's portfolios. As a children's services assistant I think the one thing that would make a huge difference and help to assist children's services assistants and professionals to continuously upgrade their training and gain higher qualifications would be to have more programming time. This way, you could spend less time at home working on portfolios and more time working on personal and professional development.

Ms Thiele—I work in a childcare centre. We have about 96 children a day. I have been there for about seven years. I have my certificate III and I am currently doing my diploma externally in my own time. The centre I work in is very multicultural. I am in the kindy room, where we have three- to four-year-olds. We can have up to 30 children a day. Our ratio is one to 10. Imagine trying to do 10 things at once. One child needs to be changed, one child needs to be fed, one child needs to be put to sleep, one child has wet themselves and so on. So you are trying to do 10 things at once. A lot of the parents do not speak any English, so we have to try to interpret so that we can find out their children's dietary needs and daily routines—whether they need a sleep, wear a nappy et cetera. In our own time we need to find everyday words and translate into their language so that they feel comfortable and safe in an environment they have never been in. We have about 50 kids a week on average. A lot of our children are not full time. They might come in Monday, Tuesday and Wednesday. They might come in for two days or they might come in three days. A very small number of them are full time.

I did a traineeship. I am still unqualified. I started at the centre with no training. I got my certificate III and now I am studying to do my diploma. At the moment, I am on a permanent contract. I get paid \$18.43 an hour, which is not very much for the work that we do. There is no incentive to become a childcare worker, because you do not get decent pay and you do not get the luxuries that a teacher gets. You do not get programming days. If we want to make child care a better industry, we need to change the ratios and include programming time.

CHAIR—Thank you very much. Ms Whitty, were you going to make a presentation as well?

Ms Whitty—I do not think I need to, given what our members have said.

CHAIR—That gives us a chance to interact with some of the evidence you have given us. I start with a question about the role of child care in giving women the opportunity to return to the workforce. When initiatives like the child-care rebate and child-care benefit were put in place it was expressed by the government as being in part a measure to ensure that more women were able to return to the workforce at a time when there were severe shortages of skills in a number of areas of the workforce. If, as you have recommended, Ms Lines, we wind back the child-care rebate and effectively shift the benefit of the child-care benefit back to people on lower incomes, would you expect that there would be a large number of women on middle incomes who would simply say, 'The cost of child care almost cancels out the benefit of working, so I won't work,' and it will lose those women to the workforce altogether? Is that a consequence of simply an acceptable price to pay to get the re-engineered structure that you are after?

Ms Lines—What the union is calling for is a two-pronged attack. We also want an investigation into the capacity to pay within the sector. That is the great unknown for us. Clearly the child-care rebate is not means tested, so, even if the union were not successful in convincing the federal government to scrap the funding altogether, it ought to be means tested as a matter of priority. Clearly, it is currently going to families who can well afford to pay child care. We have a crisis in the industry and low-paid workers are locked out a care. At the moment, because there is no control on the industry and because the child-care rebate rebates 50 per cent of out-of-pocket expenses, there is always an incentive for employers to put up the cost of child care. We saw the cost of child care go up last year when the wage increase to staff was held at a minimum. They got the fair-pay minimum. It is not that child-care costs are in step with child-care wages; they are clearly not. In an ideal world the union would want to see child-care fees capped. I do

not think we are going to achieve that. Clearly there is a real incentive for employers to keep putting up fees, because the federal government is going to keep rebating at least 50 per cent. Who knows: there may be plans to increase that. That to us is just counterproductive. Even if that rebate were kept, there needs to be a carrot-and-stick approach. At the moment that \$3.12 billion has no effect on quality, no effect on wages and no effect on ratios; it is simply a payment to parents.

Mrs Gloyn—I would like to add something to that as well. You might find that you lose some middle-income women, but what you will find is that you enable a whole lot of low-income women to go back to study and learn skills to re-enter the workforce. But, all the while, the child-care workers are on the minimum wage and going nowhere, with no chance to earn more, increase their skills or get into the middle income group. It would be fabulous to be in the middle-income group. Jodie says that she earns \$19 an hour. She actually works at a government child-care centre where they pay more. The actual wage for unqualified workers in community based child-care centre is about \$17 an hour. I run my building with 55 children and have nine staff. I am responsible for a lot of children. I book in the children and oversee. I personally get \$23 an hour, and that is as high as I can go. Middle income would be fabulous.

Senator HANSON-YOUNG—Thank you for the presentations. To be honest, you have probably covered a lot of the things that we would have asked about. Looking at the funding structure—and that is something that numerous people have brought up as we have travelled around the country—it seems to be one of the key ways the government could really drive change in the sector. There was a suggestion to perhaps ask the Productivity Commission to look at what would be the most effective way of structuring the funding model in order to drive a better policy outcome. What is the opinion of the union on that? What other types of things, aside from just funnelling the same rebate into the CCB, the benefit, are there that the sector needs in terms of funding from the government to try and bring up not just the quality of care but obviously support for staff, to show that, even if we had a national framework, we can actually meet it across the board?

Ms Lines—The union would certainly support the Productivity Commission doing an inquiry into child care, but if it is just the funding alone then I think we are missing the point. The funding model and the capacity to pay within the sector need to go hand in hand. It is a sector where, as I said, there is \$3.12 billion going in this financial year, but it is going to parents. The sector itself, because it is largely private for profit, is making a profit, and that is fair and reasonable, but that also indicates to me that there is some capacity to pay within the sector. So we need to do both of those things. I think that until we establish proper benchmarks—and Access Economics has had the same difficulty in looking at the COAG agenda; it has not looked at a capacity to pay within the sector either and it has said that perhaps parents can pay—we are missing the person in the middle; we are missing the operator here. I cannot conceive of any other industries where operators do not bear substantial costs, so I think we have to have both of those. It may indeed mean that the federal government has to put additional moneys in, and I think it is willing to do that, because it has embarked on really bold and innovative reforms that the union is 100 per cent supportive of; we just do not think they have gone far enough.

Senator HANSON-YOUNG—In terms of setting some good-quality, consistent benchmarks across the country and meeting them, there is an issue with the more corporate style childcare providers—they have been tagged a few times as the ‘Kentucky fried kids’ version—as opposed

to not just the non-profits but the smaller private providers as well, who I think, based on the restrictions that everybody in the sector has, still deliver good-quality care. The evidence seems to be that it is those more corporate providers that have lower standards of quality and have a harder time retaining staff. Their wages do not seem to be as good. The morale amongst staff is not as high as it is in the non-profit sector. Can you expand on that, because it seems to be a recurring theme, yet we have not heard it from a staff perspective; we have heard it from a provider perspective.

Ms Lines—I think the corporate sector has become the whipping boy in child care. Currently the corporate sector represents around 20 per cent of the industry. The bulk of the industry consists of operators who operate between one and nine centres, so they tend to be stand-alone operators. It is also a furphy to suggest that the corporate sector pays low wages. Everybody pays low wages, with the exception of the community centre, where the union has been able to bargain; the union also bargained with ABC.

Senator HANSON-YOUNG—So they are paid the bargained wage as opposed to the minimum wage.

Ms Lines—The rates across the sector are substantially the same whether you are in the community based sector, the small operator sector or the corporate sector. I would really like to put it on the record that it is a myth to suggest that the corporates pay low wages. I think they certainly watch the dollar, because they have the economies of scale. They can buy as one operator. There are economies of scale available to a corporate operator that are obviously not available to a single operator. So there are clearly savings there. There are good operators and bad operators in all the sectors. Certainly ABC had a model that was a touch sensitive: if children were not enrolled then staff lost hours. That does not tend to happen in other sectors, but an economist might argue that that is a good business model. Whether it is a good model for quality care remains to be seen.

Senator HANSON-YOUNG—So in terms of dealing with the wages issue, what is the first thing that you think government should do?

Ms Lines—We think that under the new industrial relations framework there is an opportunity to move wages. At the moment I would like to hand up another sheet to give the senators an idea of where wages need to go to. The union has established clear benchmarks on wages. The Certificate III, which Jodie and Jacinta hold, is equivalent to a trade qualification. The diploma is seen as above the trade qualification. They are well established and recognised rates in the industrial sense. But the problem for us is that because of what was in the industrial relations legislation at the time, we could only compare award rates with award rates.

Most of us in this room would acknowledge that metal trades workers in the male industries do not work for award rates of pay. What I have given you there are some very common metal trades enterprise agreements. You can see that for a childcare worker such as Jodie, earning \$16.78 an hour—and she has indicated that she earns more than that because she is in a government centre—if she were a metal trades worker with the same certificates for the same amount of study, she would be on \$23 or \$24 an hour. Someone with a diploma currently in child care is on around \$19 an hour. If they were in the metal trades industry, they would be on between \$32 and \$34 an hour.

We have talked to the sector about these rates and no-one throws their hands up because, as you heard this morning about the work our members are doing, it is at a professional level. It should be at the \$25 upwards rate of pay. We say that there is an opportunity for the government now to boost wages but to tie them to enterprise agreements that are properly registered and the money would only flow to the centre once those agreements were in place. Clearly, we need to ensure that any money that goes into a centre for wages actually gets into workers' pockets each fortnight.

Senator HANSON-YOUNG—Can you give us some comparison with primary school teachers? Here in South Australia there is an ongoing dispute between teachers and the government about the level of pay and appropriate increases—all things, to put it on the record, that I support, to be honest. But there is constantly a comparison between the early childhood education sector and the rest of the education sector. Time and time again it appears that it does not matter whether you talk about qualifications or wages or the various regulations, licensing, approvals and so on, the early childhood education sector seems to be quite out on its own in comparison to the rest the education pathway. Can you give us some comparisons about childcare workers' wages and primary schoolteachers' wages?

Ms Lines—I will also put on record that teacher unions have the luxury of negotiating with one employer. There are 6,000 employers in child care so there is a structural impediment there. Teachers' wages vary, but I think that a beginning teacher starts on around \$27 an hour and then can move up the scale through either advancement or seniority.

Senator HANSON-YOUNG—So for an entry-level graduate it is around \$27,000—

Ms Lines—It is around that—between \$25,000 and \$27,000—in the public sector.

Senator JACINTA COLLINS—To what level can an early childhood graduate teach in a primary school in South Australia?

Ms Lines—If they are diploma qualified, no, they cannot—

Senator JACINTA COLLINS—Sorry, I thought we were talking about diplomas—

Ms Lines—If we are talking about teachers, they can teach to year 1, I think, but I am not an expert—

Senator HANSON-YOUNG—That is a degree though, not a diploma.

Senator JACINTA COLLINS—No, I understand that but I thought we were talking degree comparisons.

Senator HANSON-YOUNG—I was talking just about wages in general, to be honest, but, yes, I take the point. Thank you for that. The last question I have got is in relation to the COAG agreement. How do we drive this? How do we ensure that if we set a national set of standards, bearing in mind that we want them to be the best and not the lowest common denominator, we make sure that we meet them and that they are not just in some agreement that sits there? How do we implement them?

Ms Lines—We talk for more than two paragraphs about the workforce. That is the last piece of the jigsaw that is missing in the COAG agenda. The COAG agenda is bold and innovative and we are 100 per cent supportive of it. We certainly support option 4, which deals with the lowest ratios. The union has a plan—our Big Steps agenda. There will be a teacher shortage. Attracting teachers to child care is going to be really difficult. As you can see, our members today are interested in furthering their qualifications in their own time. We believe that there is a pathway from certificate III through to an ECEC—an early childhood education and care degree. With some additional support from the federal government, we could get there quite easily—which is to take our diploma-level people and move them up to four-year qualified teachers. What you would have picked up from our members today is that they are there because they have a professional interest and a passion for child care; it is where they want to remain in their career. There is an opportunity for people like Dianne to be encouraged to upskill and to take a teaching degree to pick up that shortage. That is certainly one thing that could happen.

Given the number of teachers whom we want to put in, at least one per centre and, in some centres, two and more, that will be achieved by taking the existing staff and upskilling them by reducing the HECS debt and by making some study time available to them during work and so on. That is absolutely achievable. So I think that is the first thing. The workforce is the glue that holds the COAG agenda together and that is where we need to focus some attention.

Senator JACINTA COLLINS—My question fleshes out Senator Hanson-Young's discussion with you about the Productivity Commission. You note in your submission the issues around market concentration. Would you also see that as an element of what the commission could constructively look at? Further to that, and back on the other issue about government subsidising reform in terms of the workforce and wages, what sort of mechanism would you suggest for that?

Ms Lines—Firstly, in terms of market domination—and we have mapped the child-care centres—it is clear when you look at the smarter operators that that is where the CCB dollars are. Anyone who has a look can see that. That is easily overcome by a planning model. We do not just lump our primary schools wherever someone has a whim to put them. They are planned. The federal government has talked about the collocation of child-care centres so that parents are not doing the double or the triple drop-off. I think a planned approach is fairly easy to achieve, and I also think that licences should be contested as well, in the same way that age care licence beds are contested. I think there is a similar model that we could put up for discussion in child care, so that is easily overcome. It also means that where real estate is expensive, say, the CBD of Sydney, even though there might be a demand there, it is not easy to set up a child-care centre because the set-up costs are enormous. So, to me, a planning model seems to make good sense and it fits a quality agenda.

In terms of the wages, we know that it is a big ask to ask the federal government to boost wages and to be directly involved in wage setting but what we have seen over time is that, so often in pay equity cases and work value cases, we lose out. Clearly, we have lost out in child care. The benchmarks have been established. We know that a certificate III is equal to trade. We need the dollars to get there. To ask the sector to pay a \$10- or \$15-dollar an hour wage increase is, I think, without doing any analysis, not achievable. But, clearly to get there, we need to boost wages. Initially, we need to bring the child-care workers up to where they should be and then

move them on from there. And we say that some of the child-care rebate money could be used for that.

Senator JACINTA COLLINS—But in what type of mechanism?

Ms Lines—Through a registered industrial agreement so that the money does not flow to the centre until the agreement is registered. The federal government has to be sure, the sector has to be sure and the taxpayers have to be sure that that money is being used appropriately, so it has to be tied.

Senator JACINTA COLLINS—Can you think of any other area where that means of delivery has been used?

Ms Lines—No, and we have certainly done a lot of analysis and talked to academics. We tried to look at what research there has been in this area but there is none, so we are doing the research ourselves. So, yes, it is a big ask, but if we are absolutely committed to reform—and I think the federal government is—then reform also includes wages. You cannot roll the COAG agenda out on the back of poverty wages of between \$15 and \$19 an hour.

CHAIR—We are out of time. I thank you, Ladies, for the time you have spent with us today. It has been very useful. We have had a look at the portfolios you have handed up. We will hand those which are confidential back to you. Did you say there were some we could keep?

Ms Lines—Yes. We have got another one that we will get a copy of.

CHAIR—Great. That would be terrific. Thank you very much for your time.

Ms Lines—Thank you very much for your time this morning.

CHAIR—It was our pleasure.

[10.01 am]

TRZCINSKI, Mr Stephen, Private capacity

CHAIR—I welcome Mr Steve Trzcinski to the inquiry. We have your submission. We understand your submission is a confidential submission, so it has not been published on the website. But we have read it. I think that is correct; have I got that wrong?

Mr Trzcinski—I am not sure that that is correct.

CHAIR—You are happy for your submission to be publicly available on the website?

Mr Trzcinski—My submission was slightly modified and then published on the website, removing any identification of me. It was an anonymous submission which was published, but the submission which I made to the committee had my name and my details and there were two attachments to it, which were the ASIC complaint and their response.

CHAIR—So you are saying that your submission is on the website now?

Mr Trzcinski—That is correct.

CHAIR—Are you happy for it to stay there in the form that it is there at the moment?

Mr Trzcinski—I am happy for that.

CHAIR—And you are happy for your evidence today to be publicly given so that it is on the *Hansard* record and will also be available to read on the website in due course?

Mr Trzcinski—That is correct.

Senator JACINTA COLLINS—Chair, I do not quite understand what we are doing here. Obviously, if Mr Trzcinski is dealing with his submission before us now, his connection to it is then indeed public.

CHAIR—It is to those who read the *Hansard* record. I suppose that if you do not read the *Hansard* record, you would not make the connection.

Mr Trzcinski—I understand what you are saying, Senator Collins. What you are alluding to is the fact that, by virtue of being here today in this forum and having my name in the program, I have effectively removed my anonymity. I am aware of that. The reason that I have taken that approach is that when I first made my submission, which was very early this year, I was apprehensive about identifying myself in a public forum. Since then I have taken advice, I have read the papers and I have a better understanding of what is going in as far as circumstances go. I am now happy to have my name put into the public forum. That is why you are seeing what you are.

CHAIR—All right. We will treat that now as a fully public submission. We will attach your name to it on the web site and your evidence today will be in open session. That is what you want, isn't it?

Mr Trzcinski—That is fine.

CHAIR—Would you like to make a short opening statement before we ask you questions about your submission?

Mr Trzcinski—Yes, I would. I need to make a slight correction to my submission. My submission gives my starting date with the childcare centre. I am happy to reveal the name of that childcare centre: it is Kesters Road Child Care Centre, who actually go by the name of Yawarra Children's Services. In my initial submission, I said that I began my association on their management committee in 1999. But having checked my records since I need to note that I began my involvement on their management committee in January 2000. I should also point out that I had a year off for most of 2003, so my total involvement with the management committee was only 6½ years, not 7½ years as noted in my submission. It does not really change the essence of anything that I am saying, but I wanted to formalise that.

Talking about my length of service brings me to the first point that I would like to make. My involvement as the treasurer and later as the chairman on that management committee gave me a very good understanding of the childcare business model. I was a fairly active contributor to the service and I developed, through my work, a close understanding of all the cost drivers within the business. I understood the interrelationships between licensing standards, staffing ratios, parent fees and net cash flows. As I said in my submission, when I looked at the ABC Learning reports I could tell straight away that things were at least different to my service if not downright wrong.

A number of things concerned me about ABC Learning's reports back in 2005 but what concerned me the most was ABC Learning's treatment of childcare licences—so much so that I raised my concerns with ASIC through their complaint system in May 2006. My concerns were based mainly on the company's June 2005 and December 2005 financial reports. However, at the time that I made the complaints, ABC were undertaking some capital raising and between September 2005 and when ASIC sent their response to me ABC raised another \$900 million in capital. This is important because when ASIC responded to my complaint they said that the issues that I had raised were not material in relation to the June 2006 balance sheet.

The key point in my complaint to ASIC was that the value ABC Learning attributed to childcare licences was inappropriate. I was concerned that the broader investment community may not have properly understood the nature of these licences. By the way, I note now that in another submission that has been made to this inquiry, KU Children's Services have made exactly the same point about valuing childcare licences. I suggested to ASIC that without a proper understanding of the nature of childcare licences investors may have been misled about the overall value of the company and I queried whether or not this was an appropriate accounting method. I would also like to point out that Sue Lines just a few moments ago mentioned that potential operators can go into the market and get licences for absolutely nothing. I thought that there was an administrative fee, but she said that there is absolutely no charge at all. That kinds

of reinforces my point. How does this all fit in with this inquiry today? There are two distinctly issues at play in terms of what is going on here.

The first issue, which most of the submissions have addressed, relates to the structure of the child care industry in Australia and how it is funded and regulated. I agree that there are some serious issues that we need to address there.

The second issue, as far as I see it, is why ABC Learning collapsed in the first place. Having helped out at my local child care centre, I have learnt enough to know that there are some serious structural issues about how we manage child care in Australia. I will leave it up to the experts to advise the committee on these. But I also think that since the collapse of ABC Learning precipitated this whole inquiry in the first place the committee needs to understand the issues surrounding this collapse.

As I have said in my submission I am aiming to have it put on the agenda that the collapse of ABC Learning was not necessarily the result of structural shortcomings in the child care system in Australia but was more likely related to corporate and accounting issues surrounding the company. In light of this I think it is important that the committee should be aware that a complaint was made to ASIC which, if it had been handled differently, may have changed how the growth of ABC Learning happened in the first place. I suggest that in order to prevent another collapse similar to that of ABC Learning there may need to be changes in the area of accounting standards and corporate law in Australia. I also suggest that the committee, in conjunction with ASIC and others, may be able to address some of these issues.

CHAIR—Having looked at the committee’s terms of reference I am not sure that it falls within our terms of reference to make judgments on or pass comments on how we ensure that, in a corporate regulatory sense, we prevent repetition of an ABC Learning disaster. What you have said is very apposite to the issues that have led up to the inquiry and they are interesting in that respect. But I just want to warn you that I am not sure that we will be in a position to make recommendations about those issues on the basis of the terms of reference that the committee has. But what you have had to say is nonetheless very relevant and very interesting to the inquiry’s background on what has been going on.

Senator JACINTA COLLINS—Since you just made that statement I think that we should at this stage deal with your interpretation with our terms of reference, and I do not think we should debate it here. I suspect that you will find that other senators on the committee have a contrary view.

CHAIR—All right. I am just stating what my view is about that. Obviously, there are different views about that.

Mr Trzcinski—I obviously have a different view as well!

Senator MARSHALL—I want to explore the licensing issue. We can find out for sure I suppose, but is it your understanding that there is no limitation to the number of licences that could be issued?

Mr Trzcinski—I am not the expert on that sort of thing. I should probably point out that in terms of my knowledge and ability in the child care industry I kind of downplay my own knowledge. Others probably think I have more knowledge than I have. I used to refer a lot with the centre's directors on those technical issues. But as far as I am aware I do not think there is any structural limitation on the issue of licences.

Senator HANSON-YOUNG—Do you mean in terms of how many licences you can hold?

Senator MARSHALL—Yes, because if something is unlimited in its ability to be provided and there is no cost in getting the provision—this is certainly what Ms Lines's evidence led me to believe; it is a question I could ask the responsible government department directly—

Mr Trzcinski—Yes, we could.

Senator MARSHALL—But if that is true, they have no value at all and they cannot possibly have any monetary value if there is an unlimited supply available upon request and they cost nothing to get.

Mr Trzcinski—You are agreeing with the essence of my submission.

Senator MARSHALL—Yes. I would not take it to the extent, because I think your submission also says that at the end of the day the value of the licences were up to 75 per cent of the value of the whole company.

Mr Trzcinski—I think they were a lot more than that.

Senator BACK—It was the stated value rather than the value.

Mr Trzcinski—Exactly.

Senator BACK—The actual value was significantly less.

Senator MARSHALL—Just so I am clear on this, was this the basis of your complaint to ASIC.

Mr Trzcinski—There were a number of issues which I raised with ASIC. They were limited by what I was confident of putting in my complaint. I believe I have submitted my complaint for the record, but from memory there were four issues which I complained about. One or two of them were to do with the technical accounting treatment of net present value and how they reported revaluations, but the killer point that I was trying to make was around the validity of the directors reassigning values to licences, because as far as I could understand—and I will stand corrected if someone wants to refute this—they were creating this asset class called licences and, because they were called licences, they were then at liberty to revalue those licences. So in the early years of their reporting they were revaluing licences and therefore adding value to the balance sheet, simply on the basis of their future net profits—what they thought they were going to get. Does that answer your question?

Senator MARSHALL—It does, and I note your recommendations pertaining to ASIC. Maybe I should not say this now on the public record, but, if it is established that there are an unlimited pool of licences to be issued upon application to anybody that seeks to apply for one, that they were giving these such value in the accounting process, which was the basis of your complaint to ASIC, and that ASIC did not act upon that—if all those things are in fact the case—it would stagger me.

Mr Trzcinski—I would be reluctant to say that ASIC did not act on it, because I do not know what their inquiries were.

Senator MARSHALL—I would like to know what in fact they did do, so I am rather supportive of one of your recommendations. I am happy to leave it at that.

Senator BACK—I have come relatively recently into the inquiry, but, based on the experience you have had, can you give us the benefit of your advice or observation on the provision of these services in Australia. Is it your belief that there is room for a mix of community providers, smaller private sector providers and corporate providers?

Mr Trzcinski—My personal opinion is that we should be able to come up with a model like that where you do have a mix. I think there is a space for private operators. Having said that, and with my knowledge of the service which I was involved with, I should also say that I constantly failed to see how it could be a hugely profitable business for the private sector to operate. There are a few caveats in allowing the private sector to get into such a business in terms of social policy and that sort of thing which people like Deb Brennan, who has appeared before the committee, and others will be able to speak more authoritatively about. But, as a simple childcare dad working on the local management committee, I can appreciate that there is definitely not a great deal of profit to be made for the private operators. And there are certain social requirements or social objectives that are not met by the private sector because the private sector is only going to operate where it is profitable and there are often a lot of other areas where you need childcare services that the private sector just would not be able to justify. That is the place for government or possibly not-for-profit organisations, depending on what model you come up with. I think there is space for both, but it is fraught with danger, and we are probably seeing here the result of those dangers.

Senator BACK—And in any one of those processes of provision, given that it is such a strongly personal issue for parents of young children, how can parents best have some involvement in and impact on the outcomes of these programs?

Mr Trzcinski—In the community based centres there is plenty of a provision for that at a number of levels. On a day-to-day basis, my experience with childcare workers and team leaders is that if you as a parent go along to your local childcare centre you would be hard pressed to find a childcare worker who would not be understanding and accepting of a parent's requests and those sorts of things. The sector is just full of people who want to do the right thing. Therefore parents can have an input at that level on a day-to-day basis. I expect that the team leaders and so on would all accommodate parents' requests in terms of programming and that sort of thing. Past that level of involvement, you would need to go to the community based sector to be able to get further involvement—which is the level that I was involved in at the management, policy and structural level in terms of the service itself.

I do not see how you could achieve that in the private sector because you have shareholders, you have owners and those sorts of structures. So at a higher level I think you would be hard pressed to get that parent involvement in the private sector, or possibly the government sector depending on how it is structured, but in the community based sector, which is where I come from, you would probably get that quite nicely at all sorts of levels. That is not always such a good thing—too many cooks can spoil the broth and you can get individual personality issues and all sorts of things that come with that sort of program.

Senator JACINTA COLLINS—Mr Trzcinski, are you aware of any other ASIC complaints that were made during the previous years of ABC Learning's operation?

Mr Trzcinski—With regard to ABC Learning?

Senator JACINTA COLLINS—Yes.

Mr Trzcinski—I am not aware of any other complaints that were made by anybody else to ASIC, but I have made another complaint to ASIC about a completely different issue.

Senator JACINTA COLLINS—Okay, but that is not something you want to address here. Is it relevant to our considerations?

Mr Trzcinski—It is probably not relevant, unless you really want me to expand on it. It is not really relevant. I would rather not talk about that. But I have made another complaint to ASIC. Apart from that, I do not know of any others.

Senator JACINTA COLLINS—Are you aware of issues that were raised with the ACCC?

Mr Trzcinski—I am aware of what has been written in the paper about that. However, that was a while ago and my memory might not be quite so good.

Senator HANSON-YOUNG—We have heard evidence just this week that people have put in complaints to the ACCC so it is public knowledge.

Mr Trzcinski—Okay, I have not read the transcripts so I was not aware of that.

Senator JACINTA COLLINS—I am simply trying to gauge the extent of your experience with the question of whether our economic regulations failed us in relation to the ABC Learning group. You have given us the example of your complaint to ASIC and I am simply seeking to understand if there is a broader knowledge that could assist us in making that assessment.

Mr Trzcinski—I only know what I have read in the papers and from my experience. I have spoken to a number of people, including Sue Newberry, who was a presenter in Sydney, and a number of other people who operate in the accounting field. All of the people I have spoken to believe that what I suggested—on the issues I raised about licences and valuations and the related issues—was most likely to be correct. To take it one step further, I think Sue Newberry would allow me to say that her comment to me was that anybody with a bit of accounting knowledge would have seen warning bells after reading the reports for a short period of time. There were things that could have been checked and should have been looked at with respect to

their published results. Judging from the newspaper reports, the auditors obviously had similar concerns with how the company was reporting its results in years gone by.

Senator JACINTA COLLINS—One of the other areas that has been relevant to discussions about ABC Learning has been their capacity to gain such a significant market share. The federal government has introduced new provisions to deal with creeping acquisitions. Are you aware of those? Can you comment on whether you think they will help in that respect?

Mr Trzcinski—I am aware that that is an issue. I am not convinced that that is at the heart of what the problems were with ABC Learning. I think that is a secondary issue. I do not think that addresses the underlying issues with ABC Learning.

Senator JACINTA COLLINS—No. Some of those underlying issues may yet emerge.

Mr Trzcinski—Play out.

Senator JACINTA COLLINS—Yes. That will be a space we will need to watch, as you have recommended, in looking at how we continue to regulate that area. We will learn from what comes out in, presumably, the receiver's report and some potential court actions.

Mr Trzcinski—That is right. From memory, the ACCC have said that there are already provisions in place to deal with gaining certain market share. I was a bit confused about how that was going to have a direct impact on the situation as it arose with ABC Learning. I thought there were bigger issues to solve than that.

Senator JACINTA COLLINS—And there may yet be.

Mr Trzcinski—Yes. It certainly has not finished.

Senator HANSON-YOUNG—It would be interesting to see if similar complaints to yours—

Mr Trzcinski—I would like to know as well.

Senator HANSON-YOUNG—were put to ASIC and either were not followed up or the evidence that you are suggesting was there was not found. We have heard that a number of organisations did very similar things. They looked at ABC Learning's annual reports and thought: 'These are not the kinds of figures we would be coming out with from the way we run our childcare centres. It would be pretty hard to make a profit if you were covering all these things properly.'

Mr Trzcinski—Exactly.

Senator HANSON-YOUNG—Complaints were put directly to the responsible minister at the time and the ACCC. So I do not think you were alone in saying that something was not quite right. The issue, moving forward, is that we need to identify the reasons ABC Learning were able to manipulate the situation. If you look at it from a shareholder perspective, they were not completely upfront with their finances. If you look at it from the perspective of a parent who had their child in one of the centres, it was an essential service. Often it was the only centre they

could get their child into. Then they were told by virtue of a press release, pretty much, that the centre would be closed on the following Monday. That is what happened to a number of parents around the country. In order to avoid that happening in the future, we need to look at the specific situation that allowed ABC to continue operating when they were not financially viable. It is very complex.

Mr Trzcinski—Absolutely.

Senator HANSON-YOUNG—There are even assertions that a number of the new ABC2 centres are simply rebadged versions of ABC run by almost the same people. That was one of the pieces of evidence given to the committee the other day. So it is the same people in charge of the centres that failed the first time around, in some cases—clearly not all.

The problem that strikes me—and I understand that you have chosen the childcare sector as the place to put your energies and to put your children—is that regardless of whether we want a sector with diversity, community, non-profit, private, independent, small independent stand-alone operators or corporate, the childcare sector is, as more and more parents rely on it and as our birth rates continue to rise, an essential service.

Mr Trzcinski—An essential service, exactly.

Senator HANSON-YOUNG—That to me is the crux of the issue. If we do not have the regulations and the licensing and all the checks and balances correct, it does not matter whether you are trying to make a profit or not; if your service goes down, if you cannot open your doors, what does that mean for those kids and those parents? People would be outraged if, with a week's notice, a local school was to shut or a hospital was to close. The issue for me is that we have not quite got there in terms of government policy to view child care in the same category as other public services. Would you agree with that?

Mr Trzcinski—I agree entirely with that. I have been saying to myself for many years that that is the reason why this has become so emotive and why it has become such a high-profile issue. Effectively, we are putting an essential service into the hands of a private company. Whilst I do not think that that is fundamentally a problem, it is fraught with danger in terms of the social engineering outcome. I agree entirely. I think it is fraught with danger and there need to be a lot more checks and balances in place to ensure the continuity of that service and a recognition that it is an essential service in our community these days.

Senator HANSON-YOUNG—As an active parent on your childcare centre board—and this does not relate to your submission but because you have put yourself in the community sector as a parent who values that service—what is your opinion about how parents view child care?

Mr Trzcinski—I believe that they see it as an essential service which facilitates them doing the things they need to do in life these days, such as going to work. Sometimes people use it as respite, but what I have learned from being involved at my level is that it also has an education and a developmental component to it as well. For parents it fills a range of purposes. For me personally, we used our service mainly for developmental reasons. My children attended only two days a week at the maximum, and we thought that that was good from a developmental

point of view for the children to get that social interaction going and that sort of thing. It also had a bit of a respite element to it as well for my wife, Marcie.

Senator HANSON-YOUNG—I think that is quite an important point, to be honest, and it has not been raised by a lot of people thus far. I guess from a parent's point of view you can recognise that.

Mr Trzcinski—Exactly. Being a mum these days is tough work, and looking after the children 24 hours a day, seven days a week, sometimes you just need to get out to the shops and buy the milk or whatever—

Senator HANSON-YOUNG—Without being hassled about which things to put in the trolley!

Mr Trzcinski—There is an element to that, and I suppose we used it for that reason as well. It gave Marcie a few hours a week to go and do the things that mums have to do. But having said that, there are a lot of people out there who use it basically to sustain their career, and everybody is talking about that, of course.

Senator HANSON-YOUNG—Thank you. I just think it is important to get a parent's perspective.

CHAIR—I have a question about how ABC Learning ought to have valued its business. As you pointed out, it was putting a huge amount of value on paper onto its licences. If, for example, you are the proprietor of a hotel in New South Wales, that would be a very important part of your business. A limited number of licences are issued, so you can imagine the value that is placed on a licence. As you pointed out, that is not the case in child care because there is not a limit on the number of licences that might be issued.

Mr Trzcinski—I do not know anything about the hotel licensing system, but I am not sure whether licences are tradable.

CHAIR—I am thinking about New South Wales, where the number of licences is limited. But that is irrelevant. What I am asking you is: what would a business like ABC describe as the value of its assets?

Mr Trzcinski—I am not really qualified to answer that. As I think I pointed out in my submission, I am obviously not an accountant. The service in which I was involved used an accountant and external auditors to manage all of that. Because we were community based operators and we were an incorporated body, our corporate structure was slightly different from the private industry. I really do not want to comment on that. I was dealing with what I had in front of me, which was a not-for-profit organisation. I could see what was wrong, or what I thought was wrong, but I was not quite sure how to make it right. There are other accountants and lawyers who can tell us about that.

CHAIR—Thank you very much for the evidence you have given us today. That submission is now fully on the public record and we will be able to refer to that in our report.

Proceedings suspended from 10.37 am to 11.03 am

COLMER, Ms Kaye Marie, Executive Director, Lady Gowrie Child Centre Inc. (Adelaide)

RUTHERFORD, Ms Lynne, Children's Program Manager, Lady Gowrie Child Centre Inc. (Adelaide)

CHAIR—I am pleased to welcome representatives of the Lady Gowrie Child Centre to the inquiry. Thank you for the submission you have put into the inquiry. We visited a Lady Gowrie Child Centre in Hobart a couple of days ago, so we are looking forward to hearing from you about the issues that you feel are relevant here. Would you like to make an opening statement before we ask you questions about your submission?

Ms Colmer—Yes, I would like to make a brief opening statement, thank you.

CHAIR—Please go ahead.

Ms Colmer—Thank you for the opportunity to speak to the inquiry today. Our thoughts come not only from operating an early childhood service ourselves but also from the work that we do throughout the state in terms of our professional development and resourcing functions. We are one of the professional support coordinators; we have very close contact with childcare centres throughout South Australia and we meet with other agencies at a national level, so we have a fairly good feel for what is happening in centres.

One thing we would like to say is that the philosophy around ABC becoming such a giant was really based on the assumption of free markets. We are concerned that this could happen again if there are not some structural changes. We would really like to see some structural changes occur which would help to make sure that this kind of problem does not emerge in the future. With corporate childcare there is always a tension between the obligations to shareholders and the obligations to children. That is a tension that I do not think can ever be really resolved. For the investment that the Australian government makes into early childhood services it should be expecting much better outcomes and much higher accountability from services as to what they do with that funding.

CHAIR—Thank you for that. Would you like to make a statement as well, Ms Rutherford?

Ms Rutherford—No, thank you.

Senator JACINTA COLLINS—I am just having a second look across your submission to help us isolate the structural reforms that you think should occur. Are we talking about essentially working with the status quo where we have 'market delivery' or are we talking about a complete shift?

Ms Colmer—I think it would be very hard to have a complete shift. We have a mixed system now of providers providing services. I think it might be too radical to go beyond that. But we need to put in place strategies so that we reintroduce planning processes. Ten or 15 years ago we had stringent planning processes. They seemed to be very effective in controlling the spread and emergence of new childcare centres. We need to put limits on the number of centres that one

entity can hold, so we do not get these great, big corporate holdings. We need a rebalance of funding. Currently too much is being directed towards parent subsidies, which I think has contributed to this problem. One of the things that we could consider is redirecting some of those funds directly to providers with quite detailed accountability requirements for those centres so that they are actually employing staff or whatever with those funds, so there is a direct link with outcomes for children and quality. We need to put standards in place to limit the profits that can be made from operating a childcare service.

Senator JACINTA COLLINS—How would you do that?

Ms Colmer—One of the things that was really problematic with ABC was the CEO commenting publicly that ABC only spent 60 per cent of its gross takings on salaries. It is quite well accepted in the research and in general practice that if a centre is to provide a reasonable quality of care they need to spend about 80 per cent of their gross takings on salaries. That public declaration alone should have launched some investigation. It was too good to be true. Quite clearly, if they were only spending 60 per cent of their gross earnings, including the subsidies, on salaries, then they were probably not providing the right number of staff to provide the services for children. That could be a direct link with accreditation.

Senator JACINTA COLLINS—Let me flesh out that aspect a bit further. We have the potential to look at regulation from the company regulation end or from the accreditation or licensing regulation end. The suggestion of going back into planning begs then the question: how should that occur and by whom? Was the model that was used 15 years ago appropriate or are there better ways to do it, particularly given what is occurring with COAG and how we are looking at trying to make the regulations on the communication process more coherent?

Let me run this idea through. Let us say we have the states regulating both what is essentially now accreditation and regulation with national standards and state adaptations, with the states responsible for maintaining the implementation of those regulations. Let us say that those regulations and licensing arrangements also include additional factors, such as to get a licence not only do you need to have a particular space requirements and meet particular staff-child ratios but, as you suggest, a proportion of your budget needs to be allocated to staffing arrangements.

Ms Colmer—Absolutely.

Senator JACINTA COLLINS—Would there be other aspects that you would throw into that pool, or am I completely off a feasible track?

Ms Rutherford—That would not be very difficult to do. Currently all centres have to go through a licensing process, and that will no doubt continue. We re-license every two years. It is such a good opportunity to really take a very good look at the centre and at the quality that they are providing—whether they are providing the minimum or whether they are providing above-minimum standards. It probably would not be too hard to work in something that then takes a look at the structure of the service to make sure that they are thinking about their budget, they are thinking about their staffing levels and they are perhaps going beyond the minimum.

Ms Colmer—Some of the accountability procedures could be that centres do have to disclose their financial records about how much they are spending on staff. One of the problems with the accreditation system when it was first introduced was that there was no linkage of the accreditation process with the number of staff that were employed. You could, for example, have a room with 20 two-year-olds and two staff, which is the South Australian regulation, and that centre could have been accredited to the highest quality indicators. I can tell you that that is impossible. If you have two staff with 20 two-year-olds, you are in crowd control; you are not actually having time to run an educational program or look after the emotional needs of 20 two-year-olds with two staff. We could actually put all those things together to have much higher accountability provisions.

Senator JACINTA COLLINS—Would you look at dealing with the planning issue at that end as well? To achieve a licence, do you need to demonstrate that there is a reasonable business plan in terms of the availability of childcare in a particular area and that we are not going to be encouraging market gouging, which to some degree happened with ABC? Would you build it there or would you build it in elsewhere?

Ms Colmer—I think there probably needs to be a COAG process—broad parameters of state planning agreed at a national level. There does have to be a planning process, because what happened with the ABC centres was that they could build a centre next door to quite a well-functioning, stand-alone operator and basically drive them out of business. That is not a good use of taxpayers' funds to be supporting that kind of thing. If there had been a planning process, CCB would not have been granted to an application for a centre right next door to where one already existed.

Senator JACINTA COLLINS—One of the concerns about linking it to the granting of CCB is that perhaps too easily it becomes used as a budgetary measure to contain the overall number of places. In the past we had from the previous government caps on outside-school-hours care and those areas. Perhaps one way to address that issue is to leave it at the state regulation licensing end rather than the Commonwealth delivery end.

Ms Colmer—That is a fair point. I do remember the days when there were limitations on any new CCB arrangements, and that did cause problems in terms of meeting local demand.

Senator JACINTA COLLINS—Which, then, I suppose, raises the question on the other aspect of what you have said: a review of overall funding arrangements. It has been suggested to us that perhaps the Productivity Commission should look at whether the CCB and the tax rebate are the most appropriate means for childcare into the future. Some of that has been on the back of people having a quite positive view of the work that they did in relation to paid parental leave. Do you have a sense about that issue?

Ms Colmer—My sense at the moment is that there is too much money being put directly into families in the form of subsidies. There is not the balance of putting some of those funds into creating infrastructure within the centres. It is not very well balanced in terms of making sure that centres are sustainable and providing quality. For example, with the national discussions about the regulations and the need for early childhood teachers in childcare centres, an option perhaps could be to fund centres to employ an early childhood teacher rather than to keep

increasing the subsidies that are paid to parents. That way would help centres be accountable but would also help them build their infrastructure without such escalating fee increases.

Ms Rutherford—One of the interesting things we are finding around the childcare tax rebate is that families are not actually directly associating that with their childcare fees, because it is separate to their accounts—it is an amount that they get once a quarter. We are finding that parents are quite critical of the high cost of child care but they are actually not making the link to the childcare tax rebate. That is a lump sum payment that they are getting—it is completely separate to their fees—and they are not relating it to the childcare costs at all.

Senator JACINTA COLLINS—As well as family tax A, family tax B?

Ms Rutherford—That is right. Exactly. They are all very separate. What they see is their childcare account and that seems quite high to them, but they are not making that link between that and those subsidies.

Ms Colmer—In fact, we have just done a calculation. We have just done our budget process for the next 12 months. We looked at it and we checked back on what parents were paying in 1999, and when you take into account the rebate parents were paying more for childcare services in 1999 than they are now.

Senator JACINTA COLLINS—Your comment makes a lot of sense. We hear people saying now that the cost of child care is quite high. Yet, as you say, when you look a few years before the tax rebate was in place you cannot quite fathom the message. We have gone from, when the former government introduced the tax rebate—and I am still not quite sure how they managed this—it being paid the tax year after the tax year at which the expenditure occurred to it being paid three monthly. But what you are saying is that there is probably still a lot of room for improvement. Perhaps the Productivity Commission or some other body could appropriately help us review this. I do not think we have a good enough sense at the moment to make clear recommendations on the best way forward.

Ms Colmer—If you look at the research about childcare usage and patterns of usage, there have been massive fluctuations depending on how funding occurs. I think it would be really good if we could have a system in place that provided more stability so that there were not those really big fluctuations, because they are quite destabilising for people who are trying to operate a quality childcare service.

Senator JACINTA COLLINS—One concern I have with respect to the longstanding operations of Lady Gowrie is this. I heard in Tasmania a concern that the future for Lady Gowrie might just be children aged zero to three, because in Tasmania essentially the provision of care and education for beyond that age group will eventually be taken into the school sector. Also, about three years ago they stopped being an RTO, so their valuable input into education of childcare professionals is not occurring anymore. If that trend continues, it is quite worrying when you think of preserving and building upon the type of social capital that has existed in the past in this sector.

Ms Colmer—We would agree, and that is one of our big concerns. It is not just for Lady Gowrie centres. We are getting feedback from a lot of childcare centres across the community

based and for-profit sectors that three- and four-year-olds are being taken out of the childcare system because of the emergence of the early learning centres in schools, and that has become a major stress factor for childcare centres. It will dramatically change the financial viability of centres. The birth to three years age group is a more expensive part of the provision. The three- to five-year-old age group always helps centres to even out their finances. But if they are losing the three- and four-year-olds then they are only going to be left with the more expensive provision, which is going to really impact on viability. It is a real concern.

Senator MARSHALL—That is, I guess, the business point of view. But is it actually better for three to fives to move into more of a formal early childhood education process as opposed to continuing in good quality education in child care?

Ms Colmer—I do not agree with that. I think that three- and four-year-olds still benefit from a play based curriculum that very heavily emphasises relationships and nurturing their emotional development. I think that all the things we want children to have when they attend school, in terms of school readiness factors, can be probably really well developed in birth to five programs that are good quality and well resourced. I worry about the concept of formal education beginning too soon. Some of the things we really want to encourage in the four- and five-year-olds are interest in literacy and their capacity to see themselves as learners and to be excited about exploration and problem solving, without necessarily starting to give them set syllabus learning. I think there is such a broad spectrum of things that three- and four-year-olds can be doing—including understanding how to play and get on with other children and how to regulate their own emotions so that they are able to self-discipline—to be ready to enter a formal education system.

Ms Rutherford—The SACSA framework was originally developed as birth to eight. The reason for birth to eight was to recognise that that period was quite crucial in children's development and is a little different to what happens for children from eight years onwards. Unfortunately, the new National Early Years Learning Framework is birth to five, which is probably going to mean a bit of a loss for South Australia. It recognises that between five and eight children still have needs as far as play based learning goes and require a slightly different type of curriculum than you would find in formal schooling. In fact, if you are moving that back to three-year-olds, it is probably not in their best interests overall.

Senator JACINTA COLLINS—A few years back there was pressure in the sector for differential CCB rates to deal with the nought-to-two issues. It was seen as one means to try and encourage better ratios for the nought-to-twos. My observation of the submissions to this inquiry is that that argument has almost completely gone. The message we are receiving is that people are anticipating that paid parental leave when it comes in may end up impacting on the demand for at least the nought-to-ones but maybe also the nought-to-two places. It is a bit of a wait-and-see space. Do you have any comments on that?

Ms Rutherford—I certainly would not disagree with that. Currently we are seeing that there is not a huge trend for very young babies to be in services, but that might depend on the socioeconomic area. What we have seen over the years is that demand has dropped for very young children and probably a greater demand is starting at around nine months of age through to about 1½. That tends to be a peak period for families wanting to return to work. I think that paid maternity leave could potentially extend that a little.

CHAIR—Could I come back to the question Senator Collins asked about directing profit into the business. You say there should be a restriction on the amount of profit that services can achieve and a minimum amount of profit returned to the business for the future development of the service to benefit children and families. Is there a model of that sort of government control of profit direction that you would point to as a useful model in what you are proposing for child care?

Ms Colmer—I am not aware of an existing model, but I think we probably do need to explore that. We have done some costings within our own budget about what kind of profit we could make from our service if we were running it on minimum regulations and standards. There is quite a large amount of money that we could make if we just dropped some of our staff and ran it on the minimum. In answer to your question, I cannot point you in the direction of a model.

CHAIR—I think whatever restrictions you might place on it by way of regulation, a clever accountant would get around it anyway.

Senator MARSHALL—Based on that assessment, did that take into consideration a full business model, including rates, maintenance, depreciation and all those sorts of things? The message that came through in the roundtable we did in Hobart—and this came from probably one of the only private for-profit centres—was that really there is no profit to be made in this industry. That is a fairly common theme. An example that this operator used was that she was the owner-operator and as long as she was getting an equivalent wage as a director to a not-for-profit centre that was all she could really expect from this industry. When you talked about the profits you could make if you ran it down, and I am not suggesting that she was running one at the base level, what were you talking about in terms of profit? Would it be enough to entice people in on that basis?

Ms Colmer—Lady Gowrie at Thebarton is an 80-place centre. Yesterday, I did some quick calculations looking at how many excess staff we have over the regulations. We have at least four equivalent full-time positions more than we need to have—and it is probably closer to five. The value of that in terms of staff is probably about \$170,000. If I was a private operator and wanted to run it at minimum standards, I would be able to work in it with a fully paid position for myself plus draw out about \$170,000. Obviously taking off depreciation would make that a little different, but I think modest profits can be made if centres are run appropriately.

Senator HANSON-YOUNG—Based on the current regulations?

Ms Colmer—Yes.

Senator MARSHALL—I am sorry to interrupt because I know you have not finished your answer but, just drilling down, I am assuming you own the property, so you are not paying rent. If you are actually operating a centre and you have to put some capital in, there needs to be a return on that capital investment in the first place and all those sorts of things—

Ms Colmer—Absolutely.

Senator MARSHALL—that might have eaten into that.

Ms Colmer—I think when you do drill down, for the centres that are paying commercial rent it is very difficult. If you are paying \$100,000 a year rent, you really would be on the verge of breaking even.

Senator MARSHALL—So you can provide those extras above and beyond the minimum standard, and that is not accepting the minimum standard is good enough.

Ms Colmer—No.

Senator MARSHALL—You can do those sorts of things because you have the building already.

Ms Rutherford—But also because our family is paying a slightly higher fee than probably would be the average.

Senator MARSHALL—Sure. I just want to get a picture of what you said about looking at how much money to pull out of it.

Senator HUMPHRIES—Can I touch on a different question which a number of witnesses have raised with us. That is the question of education of children from nought to one. A number of witnesses, including the Murdoch research institute yesterday in Melbourne, have suggested that there are serious questions about whether it is better for a child between nought and one to be raised in the home or with a family member or someone they are close to rather than in some sort of centre. What is your policy with respect to parents coming to your centre with children of very young ages? Do you have an indiscriminate policy about taking children of whatever age? If you had your druthers and there were alternatives, would you like to see a system which encouraged people to raise children until a certain age at home before they brought them into centre care?

Ms Rutherford—We run a parenting program called Through the Looking Glass which identifies families who have attachment difficulties.

Senator HUMPHRIES—I was going to ask you about that too.

Ms Rutherford—One of the things that I thought when you asked that question is that there are some quite vulnerable families for whom being in a childcare service is actually beneficial not only for themselves but for their child. They can learn about appropriate relationships; they can have some time out that they might quite desperately need. We have met several of those families. But also the service can put them in touch with other families and other social contacts to help them with their own lives. We are fortunate that we have a program like Through the Looking Glass where we can take some of these vulnerable people, put them in that service and link them up with other social services to help them and assist them in their lives. The evaluation results from those are quite comprehensive and quite positive. There is not a black and white answer to your question because I think it is very important for some families to be able to access a service within a child's first 12 months. In fact, it may be more important than them staying at home with their child and suffering and not coping well.

Ms Colmer—I think sometimes there is a bit of a romanticised view of the home and parents' capacity, particularly mothers, to be home alone with a young child. Within our service and the services that we have used for the Through the Looking Glass program we have used better than regulation staff to child ratios. We have also used a model called primary care giving whereby each infant is assigned a caregiver who is going to be available and predominantly responsible for all of those child's needs. This also involves intensive professional development for the staff so that they really understand that they are working in a way that support the infant's development but also working in partnership to support the parents' capacity to parent their child as well.

That program is available to any family who uses our service and the services that we have been working with in Through the Looking Glass. It is not just the vulnerable families who get the benefit of that program; it is all the families who use the program. For most babies who are younger than nine months are assigned to a primary care giver, generally their parents will be working part-time rather than full-time, so often the two- or three-day a week arrangement is quite beneficial for mothers and supportive of children. I do not have a cut and dried view that children from birth to one year of age should not be in child care but, if they are, it should be very high-quality child care.

Ms Rutherford—One of the restrictions we do place is that children under two should have at least one full day of care rather a single half day, because in a single half it is very difficult to form an attachment with another person and it makes it quite difficult for their settling period and meeting their emotional needs and getting to understand the child and family. That is one restriction we place.

Ms Colmer—We know that the reality in a lot of child care centres is that there may be eight or nine staff working in a baby room across a week and we certainly think that would be very damaging for young children.

CHAIR—We heard in Hobart about some parents being under a lot of pressure with a high mortgage and needing the mother to get back to work quickly to help service the mortgage. We heard of kids under two months of age being put into care. Do you have a policy at Lady Gowrie about that—the fact this was a Lady Gowrie centre in Hobart? Would you counsel or talk to parents in those circumstances and make suggestions to them about the appropriateness of care at that age?

Ms Colmer—We certainly would. At the interview we would talk to the family to find out what their needs are and whether it is going to work for them or not. But to be quite frank we have not had a child of that age enrolled in our centre for probably about 10 years. In the early 1990s we saw far more children being enrolled full-time at a very young age than we do now. Modern women are probably a bit more sensible.

Senator HANSON-YOUNG—It was put to us yesterday that, putting aside all of the issues in relation to regulations, licensing, the funding models and how that all happens, the fundamental problem is that we have not quite addressed what the needs are of families today and how we should be addressing those needs from a government social policy perspective. Then, let's start there and look at what mechanisms we need in order to meet those needs. So my first question is: what do you think the needs of families are? Are families looking for child care,

as opposed to early childhood education, so that they can go to work? Are they looking for respite? Are they looking for the developmental aspects of early childhood education? Are they looking for all three of these things? Are they looking for something else?

Ms Rutherford—My suspicion is that it is all of the above. I think every family has a different need for what they are looking for. I think there are families using child care for respite, there are families using it purely for work purposes and there are families using it for education and socialisation opportunities. If you look at history the needs have changed, and I suspect that will continue. I wonder if our perspective should be around a family's rights. Is it every family's right to be able to access a high quality early childhood education and care service if they would like to choose that option?

Senator HANSON-YOUNG—And therefore putting value on children in that age bracket and the educational and care opportunities that are available.

Ms Rutherford—Absolutely. And the research is increasingly showing that the period from birth to three years of age is crucial and the period from birth to five years of age is very important. We have probably had a top-down approach where we have concentrated a lot on our tertiary, secondary and primary education. We have always put early childhood education at the bottom. The research is starting to show that we need to flip that around.

Senator HANSON-YOUNG—What is your view on how the sector sees itself? I know that is a very broad question.

Ms Colmer—I am just trying to think about the contact we have with the centres in terms of what they are asking for in relation to professional development opportunities. I think that the sector is increasingly seeing itself as being in a very responsible role with young children. We have had an increasing number of requests from centres for professional development that helps them work in an improved way with young children. Centres are asking for training about attachment and primary care giving, because they are aware that they need to be able to provide the best quality service to very young children. That is certainly a growing area.

On a less positive note, I think that there remains a very high demand from the sector for professional development to deal with behaviour guidance, behaviour management or whatever you want to call it. That is of great concern to me because I always think that, when there is such a demand for behaviour management or professional development, it suggests that there are structural problems within the centres—that the centres are not able to easily meet the needs of children in a group setting. The tensions are very evident within the sector between the emerging understanding of the importance of the years from birth to three and from birth to five and the struggle to meet those within the existing structural constraints.

Ms Rutherford—I would add that the sector also sees the divide between care and education. That is despite lots of years of work to say they are probably one and the same thing. That is something that we have worked very hard on. But I think there is still that divide and I am not sure that that barrier has been brought down yet. I have always had a bachelor of teaching or a bachelor of early childhood education but I chose to work in the birth-to-five field. I have spent 20 years working and have only just got my acknowledgement for that. So there are lots of staff who are choosing the highest level of early childhood education that they can achieve but are

working under childcare wages and conditions, and I think the sector feels that divide. People make that choice, but in the back of their minds are always going to be the better conditions, better pay, better holidays and better working hours that would have been available to them if only they had decided to work in a preschool or a school education system. So I think that affects the way the sector sees itself.

Senator HANSON-YOUNG—And, in turn, how the rest of the community views it.

Ms Rutherford—Yes, absolutely.

Senator HANSON-YOUNG—I am interested in teasing out the tension you spoke of. The sector understands how important the nought-to-five age group is—or even, drilling down, the nought-to-three age group. It knows that better staff to child ratios are going to help to deliver better outcomes by helping to achieve better relationships with kids—and better relationships with families, probably. There is the idea of the primary caregiver. We heard this morning that there is a centre at Flinders University that has that type of program. They are extra resources. There is this tension for people in the sector between knowing that that is what they need to deliver and the struggle to be able to pay for that. Regardless of whether parents paid more in the nineties or they pay more now, they are still squeezed. What does a week's worth of full-time care cost—\$300 a week?

Ms Rutherford—A lot of money—probably more than that.

Senator HANSON-YOUNG—I pay \$80 a day; I send my child one day a week. How do we deal with that tension? How do we get the good quality care and the extra staff to bring the ratios into line with what evidence suggests is going to deliver better outcomes and better quality care, and yet have parents be able to afford it? It is a lot of money. Why would you go back to work?

Ms Colmer—I think the reason a lot of women go back to work is for their careers—so that they can keep in touch. I think they also do it to have a life which is somewhat different from just being isolated at home with a child. So I think there are complex reasons why parents go back to work. Some of it is financial but I do not expect that it is all financial. In fact, if we could do a survey and really understand what the motivations were I suspect we might find that financial reasons were not the only ones.

One of the things that we have observed and are very intent on building understanding about within the sectors is the importance of leadership. There has been a history of directors of centres just rising through the ranks. They will be a childcare worker first and move on to be a director. We have seen evidence from our own work, and we have had research conducted through the Professional Support Coordinator group, that, where the directors of the centre have engaged in leadership training and have better leadership and management qualifications, they are able to use those funds more effectively to bring about changes within the centres. I think that in any future program development we have to really look seriously at the capacity of the leaders of these sites so that they can use the resources. You are right: they are going to become more expensive if we improve the ratios, but, looking at various examples of centres, we see centres that have exactly the same kind of funding but some are doing exceptionally well with that funding and others are struggling. Often the difference is around the capacity of the leader to be able to bring the staff team together and help the staff team focus on professional development

that will lead to the overall development of the organisation. It is very variable within the sectors.

Senator HANSON-YOUNG—The comment about rising through the ranks reminded me of an example we saw when we visited a centre in Brisbane. The only qualified childcare worker in the place—there was only one—was in the director position. I asked her how much time she spent on the floor and it was very little. She is doing all the administration, basically. It struck me as a waste that the only qualified childcare worker in the building was the director of the centre and not the person perhaps leading the engagement with the children, particularly in the three-to-four group. There was not a qualified teacher in there.

Ms Colmer—I find that example extremely alarming. For there to be a centre operating in a capital city with only one qualified staff member is really a huge concern to us. We cannot underestimate the importance either of qualifications for childcare staff or early childhood staff or of ongoing professional development for staff. Even once they are qualified they need to have ongoing professional development in order for them to be able to do the work. For example, in our centre we only have a handful of unqualified staff. We try wherever possible to employ qualified staff because the return and the capacity of those staff is just so superior to someone who does not have any theoretical knowledge. We also spend a lot of money on professional development, including a monthly whole-of-staff professional development activity.

Senator HANSON-YOUNG—Internally?

Ms Colmer—Internally.

Senator HANSON-YOUNG—And you budget for that on annual basis?

Ms Colmer—Yes. That is what we need to do to make sure that our staff are able to provide quality programs for children of any age, whether they are babies, toddlers or preschoolers. I find that example quite astounding.

Senator HANSON-YOUNG—It was put to us as if it is just the general run of the mill.

Ms Rutherford—There has been a struggle for good-quality qualified staff. I know rural areas have awful problems. I heard a director speak at a conference and she was in tears because, again, she was the only person at a childcare centre with a qualification. The pressure on that person is just enormous.

Senator HANSON-YOUNG—I have no doubt this woman was trying her best.

Ms Rutherford—Absolutely, but how much can you do? There has been some qualified staff leaving the sector again due to the conditions. For some people who might be trying to support a family it is very difficult to live on a lower wage with the longer hours and things like that, so that has been a problem. Also, recruiting new students into the sector is a very difficult job and I do not think people are prepared when they are very young to understand just how difficult that job is. A lot of them come in and it is almost like a revolving door: within three months they are gone again because it is too much pressure and there is too much to do. There is lots of programming and lots of different kinds of work involved.

Senator HANSON-YOUNG—I know that here in Adelaide the University of South Australia offers an early childhood education degree. We heard in Tasmania that nothing like that exists there at the moment, but the university has seen that there is a need for a university qualification, so the university itself is going to move in that direction. What type of peer support and sector support is there for new graduates?

Ms Rutherford—It tends to be in-centre support, so I guess it depends on the individual centre as to how they support their new graduates. We would tend to make sure that they were in a team of experienced staff so that they are not solely in charge of that without having any support. We tend to make sure there are things in place. We have mentoring programs for our new staff, or even our older staff who might need some mentoring or identify those needs. The appraisal process can identify any difficulties like that, but it tends to be very individual centre based.

Ms Colmer—I think that, unless we really address the problems with the low wages, we are always going to be having this struggle. I think that at some point we are really going to have to address the issue that staff working within early childhood centres are performing in a similar way to teachers in schools. Until we actually address this issue—I cannot see evidence that is being addressed anywhere at the moment—we are always going to be struggling. So we can have early childhood graduates—the University of South Australia turns out lots of early childhood graduates—but it is my understanding that the majority of them do not end up working in early childhood. What a waste of our resources to be training people for a career that we then cannot offer them jobs in even when there is a screaming need for them! I think that, until we can address the inadequacy of the pay structures in early childhood, we will not get very far on this.

Senator HANSON-YOUNG—There are obviously issues with consistency, regulation, planning, licensing, the skills shortages, the career progression and all of those things. Would you support the call for some type of national authority to try and oversee some of this stuff, pull it together and have some oversight?

Ms Colmer—I think we definitely need a national plan of some sort, because I think that we have been discussing these things for a very long time. We have probably been talking about the critical shortage of qualified staff for about nine years now. We have been talking about the inadequacy of the award for many years. We have been talking about regulations; I think we have talked about regulations from 1991 onwards, and we are still talking. So I think some kind of planning—a system and a way forward—would certainly be helpful, but I am not quite sure whether that would be an authority that has all of the control. But I think that planning is certainly needed.

CHAIR—Thank you very much indeed for that evidence this morning.

Ms Colmer—Thank you for the opportunity.

[11.48 am]

d'LIMA, Mr David Terence, South Australia State Officer, FamilyVoice Australia

PHILLIPS, Mrs Roslyn Helen, National Research Officer, FamilyVoice Australia

CHAIR—I welcome representatives of FamilyVoice Australia to the inquiry today.

Mrs Phillips—Thank you.

CHAIR—I think you have both had some experience in appearing before our Senate committees before. Thank you for coming back again. We have a submission from you. Would you like to make an opening statement before we ask you questions about that?

Mr d'Lima—Yes, I will make a few opening remarks if I may, and then my colleague Ros will say a few things, and then we will be pleased to take questions. Thank you very much for the opportunity to speak to you today. Senators may recall the cartoonist Michael Leunig publishing back in 1995 a cartoon in the *Melbourne Age* entitled 'Thoughts of a baby lying in a child care centre'. It showed the baby feeling rather abandoned by its mother, in despair and thinking that it must be all the baby's own fault. Some years later, Leunig said that this cartoon was the most controversial he had ever published. He told George Negus on an ABC program on 6 May 2004 that he got into a lot of deep water. He said:

... I know a lot of doors shut to me ... and probably still remain shut—and a lot of people think I'm some kind of male patriarchal figure who wants to keep women barefoot in the kitchen ...

But he did not regret the cartoon. He told George Negus he was just trying to say to people, 'Listen, let's look at the way we make our society.' Today we in FamilyVoice Australia feel very much as Leunig did. We are trying to draw people's attention to the harms of long-day care for young babies and to the long-term damage of government policies which reward parents who use long-day care with twice as much funding as that given to parents who sacrifice a whole income to care for their babies at home. These policies are not only unfair; they are effectively giving official government endorsement to a harmful practice. It would be similar to a hypothetical government grant for first home buyers, perhaps some decade ago, giving \$10,000 to those who buy homes made of asbestos materials but only \$5,000 to those who buy homes made of bricks. Such a policy would inevitably lead to more homes with potentially dangerous asbestos.

We are not the only people sounding a warning about non-parental care for under-threes. Steve Biddulph, Adelaide author Mem Fox and Penelope Leach are some of the others. And, like Michael Leunig, we all have odium heaped upon us as a result. Yes, there are studies which purport to show that long-day care does no harm. Gay Ochilree, of the Australian Institute of Family Studies, published research along these lines some years ago. However, a closer inspection of the research methodology showed that it was essentially a volunteer study without independent evaluation. The mothers who chose to be in the study reported on their own children's behaviour. This is not a valid methodology.

It is important to note that preschool education of 12 to 15 hours a week for three- to five-year-olds can be very beneficial. Research showing such benefits should not be confused with early day care research. Our submission mentions a variety of childcare research, including studies by Dr Jay Belsky, who was once in favour of day care but has changed his mind after seeing the data. We have also cited reports by UNICEF and the UK's *Guardian* newspaper. Both note the growing evidence that babies and toddlers in out-of-home care often suffer increased levels of stress hormones, which affects their brain development, even if they appear to have settled and no longer cry when the mother leaves.

Swedish childcare centres and staff are among the highest quality in the world, but research indicates that even high quality child care cannot compensate for the lack of parent-child bonding. Swedish government child-care policies of the past 30 years have led to over 80 per cent of children aged one to five being placed in day care. But a recent Swedish government report—this is from 2005—states:

Mortality among 15- to 24-year-olds has remained unchanged since the end of the 1980s, but mental problems, as well as the majority of major health risks, have become more common.

The report also noted the decrease in basic education skills in Swedish children. There is growing concern among Swedish parents such as Jonas Himmelstrand that these disturbing statistics may be linked. Dr Jay Belsky's research has followed day-care children into grade 6 at school. He noted that behavioural problems, including aggression and defiance, have not abated over time and have influenced other children, leading to general disruption in learning.

There is no doubt that children need care. The question this Senate inquiry needs to answer is: what is the best care? We submit that the best care for babies and toddlers during the first three years of life is mainly at home with their parents, usually the mother. Government policy should reflect this fact and should encourage those families who want to provide at-home care with the support they need. At the very least, governments should not discriminate against such families, as the federal government does at present.

This discrimination will be worse in 2011, with the advent of paid parental leave for mothers in the workforce. Our calculations indicate that mothers who receive the paid parental leave and then place their babies in day care will receive twice as much in government grants as mothers who stay at home and receive just the baby bonus and family tax benefit part B. We therefore recommend that the government withdraw public funding for child care for under-threes and use the savings to support parents by tax rebates or in other ways. Care for children in at-risk families should be dealt with separately.

Mrs Phillips—I would just like to make the observation that this inquiry really seems biased against people with our point of view. If you look at the submissions made to the inquiry, nearly 20 per cent talk about the problems of long day care for very young children and say that the best providers of care in those very early years are parents. But over the first five public hearings, in Brisbane, Sydney, Hobart, Melbourne and Adelaide, we are the only organisation officially invited to express this point of view. I understand that the director of a group called Children Need Parents, Mrs Tempe Harvey, was allowed to speak in Brisbane, but that was just a very short statement for five minutes. I note that the Lady Gowrie Child Centre has been represented here, very well, but was also represented in Hobart. So you are getting a lot of oral

input—which does, from experience, influence the final report—about one side of the story. The ratio of written submissions was four to one from childcare out-of-home providers and public servants, but the ratio of oral evidence is much greater than 20 to one. So I am just concerned that this very important evidence is not getting as full a hearing by this committee as it might do.

CHAIR—Thank you for that. I will just respond to that last observation by indicating that we try to use the processes of the committee to provide as balanced a picture as we can of the evidence that is placed before the committee. There is necessarily some imbalance in the way evidence is presented to a committee, and the way in which evidence is received is a matter for senators to weigh up and assess on the basis of not the quantity but the quality of that evidence.

Senator HANSON-YOUNG—And whether they address the terms of reference.

CHAIR—Indeed. For example, in this inquiry, we have had many more submissions from representatives of the not-for-profit sector in child care than from those in the for-profit sector, even though three-quarters of the Australian childcare sector is made up of for-profit providers. We can address that imbalance in some respects, but we have to take on the evidence that is given to us. We have to deal with the range of evidence and not attempt to weight it too heavily based purely on the fact that there are some perspectives or lines of thought within the submissions and the evidence presented where the balance may be skewed in terms of quantity. We did hear yesterday from the Murdoch Children’s Research Institute—part of the Royal Children’s Hospital in Melbourne—which also supported your point of view. So it is not completely imbalanced. But most submissions have not touched on this question to a great extent. We tend to balance the evidence given to us but we are in a sense a creature of the evidence rather than of what we choose to hear of that evidence. Having made that point, I invite senators to ask questions.

Senator HANSON-YOUNG—The point was made yesterday by academics, who were presenting evidence around the idea, that ultimately if all things were equal and parents were in the situation of being able to care for their child then (a) parents most likely would be choosing that option and (b) that would ultimately be the best thing for children, particularly at that really early stage. Having said that, there was an acknowledgement from them that that is not always the case and there are situations where parents do not have an opportunity to be able to provide the best possible care 24 hours a day, seven days a week—even in the first year after the birth of a child.

We have heard today that there is a variety of different reasons why parents choose to give their child an early childhood education and care program. It may be because they need some respite and do not have other people around to support them in that; it may be that they want some extra support in terms of delivering an early education program and the developmental bonuses that come from that for their child; and obviously it is also about supporting them in being able to go to work, pay their bills and put a roof over the heads of their family. So there are a variety of different reasons as to why families make the choices that they make. How does FamilyVoice Australia balance those different needs in a world that is not necessarily black and white and is most often grey?

Mrs Phillips—Is it fair then that the government should reward parents who decide to put their children into out-of-home care with twice as much taxpayers’ money as they give to parents

who make their own at-home care arrangements? There is a question of fairness and equity there, surely.

Senator JACINTA COLLINS—I would like to clarify a point here. The lady who appeared before us in Brisbane raised the issue, and I am looking at her assessment, of the various subsidy payments. Part of the picture was missing, I would have to say, in terms of family tax benefit parts A and B and how that is distributed across families making a variety of different choices. I just wanted to clarify for the evidence because I thought I heard Mr d’Lima saying that families would use paid parental leave and child care.

Mrs Phillips—That is right.

Senator JACINTA COLLINS—A characterisation of that sort of subsidy I do not think is envisaged by anyone in terms of how the paid parental scheme should work.

Mrs Phillips—A paid parental scheme gives a certain amount of money to those women who are in the workforce and then take four months off to have their baby. At the end of that time they get more money than the baby bonus.

Senator JACINTA COLLINS—Well, that varies—as we have seen from the assessments of how that payment might work. In fact some people taking paid parental leave may actually choose to stay on the other arrangements because they will—

Mrs Phillips—I think a lot would. Why would you just have the baby bonus when you could get more by taking the paid parental leave—and then you can resign?

Senator JACINTA COLLINS—It works vice versa for some families as well.

Mrs Phillips—Maybe. But the fact is that, on the figures we have been given so far, the paid parental leave is greater than the baby bonus. If you stay home, you get family tax benefit B. But normally all families with children receive family tax benefit A.

Senator JACINTA COLLINS—It is set at varying amounts depending on the family income.

Mrs Phillips—I know. It is hard to work out. We have done the best we can to look at all the different amounts.

Senator JACINTA COLLINS—The report we received in Brisbane made no mention of family tax benefit A.

Mrs Phillips—Right. You are in government. Perhaps you can use the resources of government to do a full and transparent comparison of all the moneys that go to different families. I think you will still find that families who use out-of-home childcare receive more in terms of total government expenditure than those who care for their own children and often give up a whole salary to do it.

Senator MARSHALL—So it is an equity issue that you are raising. So if that issue is addressed, we would have no other issues?

Mr d’Lima—No, that is only one of them. Going back to Senator Hanson-Young’s question, really we have embraced paid childcare in recent decades—which is fairly new to the way humanity has structured its arrangements throughout history. I think the jury is considering its verdict and as time goes on and as evidence arises then we may well conclude, at the end of the day, as it were, that it was not such a good idea after all.

Some fairly new research published in the *Daily Express* on 6 August last year said that there was now mounting concern over evidence that career women go back to work at the expense of their domestic life—and this came from a Cambridge university study—and the traditional view that mothers should stay at home with their children is becoming popular again because of the negative effect on family life. Absent in all of the debate is the question: is this a wise move? Is paid child care a wise move? We do recognise the pressures that families are under, but that is precisely our point. Can we look more deeply at why it is we have moved in our society towards an expectation that children will go into child care and really put a lot of pressure on mothers who wish to be at home to avail themselves of that service? More and more studies seem to be showing how uncomfortable people are. For example, it was reported in the *Australian* on 25 March 2002 that two-thirds of Australians believe that mothers should stay at home when children are young. So there is the market reality and there is the ideology and then there is the instinct of families to know what they want to do, and those three elements are struggling.

Senator HANSON-YOUNG—Without getting into a massive debate about this, because I still do not think that you addressed the issue of the reality that families face today—

Mrs Phillips—Can I go back to that? I would like to answer that.

Senator HANSON-YOUNG—I did ask the question—

Mrs Phillips—But you got sidetracked on the equity—

Mr d’Lima—That was your answer—

Mrs Phillips—And I have more to say.

Senator HANSON-YOUNG—I will just finish this question. All of the evidence that has been presented from all of the submitters raises the question about what is best for the child. The majority of the submissions suggest that the ‘Kentucky Fried child’ approach of corporatised child care is not necessarily delivering what is best for the child. Then there is a variety of other different things that could be done and avenues that governments could take and mechanisms they could use in order to deliver the best outcome for children. But it is always going to come back to what is best for that child in that context and what is best for supporting that family in order to deliver what is best for their child. I would argue that in a situation where a family needs support to deliver the best care for their child that government should be providing that. It does not matter whether—

Mr d’Lima—That is really the question: what is best for the child?

Senator HANSON-YOUNG—In that family—what is best for that child in that family.

Mrs Phillips—And you are saying that in some dysfunctional families it is best for the child to have child care or government intervening—

Senator HANSON-YOUNG—No, that is not what I am suggesting. I am suggesting that if a family cannot put a roof over the heads of their children because they need finances to do that then government perhaps has a role in supporting families to meet those needs, and this would allow them choice.

Mrs Phillips—Yes, but the evidence is showing that mother care is best, or parent care, if you like, particularly in the early years—some say three years, some say two. It is becoming more and more accepted that in those very early years it is the parent bonding that is very important.

Senator HANSON-YOUNG—That is why I am very surprised that you do not support paid parental leave.

Mrs Phillips—Because that is for four months and it is encouraging women to leave their babies in child care at four months, at the most dangerous time.

Senator HANSON-YOUNG—That is the current government's package, but in other countries it is different. In Sweden it is 47 weeks.

Mrs Phillips—Look at Sweden, and I think that is a very good example to look at. For 30 years it has been leading the world in providing very high-quality child care for everybody and currently 80 per cent of Swedish children are in out-of-home care between the ages of one and five. But there are growing movements in Sweden saying that this is bad and that there should be more government help for parents to look after their kids at home not just for the first 16 months, as is presently the case, I understand, but right through to at least three years.

I will quote from an article in the *Daily Mail*. It is a very in-depth article from November 2007. It talks about the backlash in Sweden against government interference in family and work and states that women are realising:

... that they are missing out on something very precious: the chance to raise their own sons and daughters.

For the past 30 years, generations of children—

in Sweden—

have been parted from their mothers and brought up in state nurseries - with serious consequences.

Suicides are a rising problem among teenagers. Depression is widespread among girls.

Senator MARSHALL—Sorry, Ms Phillips, did you say that this is an article from the *Daily Mail*, or are they referencing—

Mrs Phillips—They are summarising the evidence from Sweden in this article.

Senator MARSHALL—The *Daily Mail*?

Mrs Phillips—Yes.

Senator MARSHALL—Oh, okay.

Mrs Phillips—I could read you other articles. This is just a useful summary.

CHAIR—Can we have Mrs Phillips complete her evidence please.

Mrs Phillips—The article goes on to state:

Official statistics show that the psychological well-being of young Swedes has deteriorated faster than in 11 other Western countries during the past two decades.

I can go back to the actual Swedish documents on health that point to these sorts of things.

Senator MARSHALL—That would have been better, in my view.

Mrs Phillips—It would have been more complicated. This sums it all up very quickly. The article continues:

In 1970, the reading levels of ten year old Swedes were the best in the world.

But today, they have slipped to 15th in global rankings.

Jonas Himmelstrand, an expert on special needs education, blames a social policy that separates babies from their mothers.

He says children who are brought up at home are calmer and easier to teach. Even as adults, those raised in nurseries have a more difficult time concentrating.

Belsky has shown the same sort of thing. The article continues:

No wonder that Therese Murphy wants to return to the pre-Seventies days—

in Sweden—

when women stayed at home to look after their children if they wished.

“Polls show that 67 per cent of women want to stay at home - yet only a fraction of that number do so. How can a Government enforce so many to live their lives in a way they don’t want?” she says.

Sweden’s high taxes - ironically imposed to pay for the nurseries, maternity benefits and entire nanny state - mean that families struggle to survive on a single income.

And that is what we are heading for here if we are to pay for the high-quality child care that we are talking about and that you are hearing about from other witnesses. That is going to involve much higher taxes. And remember that families on two incomes have two tax-free thresholds,

whereas in my situation, where my husband brought in the money and I stayed at home to look after our children, I was giving up a salary in these days of over \$50,000 a year and my husband only had a single, about \$6,000, tax-free threshold. If I had been working too, we would have had \$12,000 tax-free. So the single-income family in this situation, where the mother gives up a salary to stay home, is being punished in two ways.

The article continues:

Sweden's high taxes ... mean that families struggle to survive on a single income.

On average, each person pays half their earnings to the state.

Of this vicious circle, Therese says: "The taxes increase the pressure on mothers to go out to work. Their extra wage is often the only way to pay the bills, run a home or buy their children extra clothes."

So you have the problem that they have to go out to work because they cannot survive on a single income. The article goes on:

Therese's experience of state-run childcare makes her feel that the children themselves also suffer.

A trained nurse, she has helped out occasionally at nurseries. She says she has seen babies handed over by their weeping mothers at the doors at 7am before work.

Worse, she has seen toddlers screaming as their parents walk away.

"We were told to tell the mothers that their children stopped crying when they left.

"But the reality is that some didn't stop crying for nearly three weeks, when they gave up hope.

"For the child, a state nursery is nothing like home. The routine is fixed. These are not relaxed and fun places to spend your childhood.

"The nurseries have so many rules to keep the children safe.

They are often kept awake deliberately so they will sleep at night when their exhausted mother comes to collect them after work. It is like being in an institution."

And so it goes on.

Yes, mothers sometimes need respite care, as I did. When I was raising my children there was no government subsidy to the degree that there is today, but we had friends, and between us we informally had playgroups. We had what was called the Young Mothers Babysitting Club, where a group of us would do babysitting for other mums and they would do it for us. Maybe the government could facilitate that kind of informal community sharing. We did not pay in money for this respite care and so on; we paid in time, and it worked extremely well. Surely this is something that this committee could be considering as a solution. Any money for child care should be given to the parents so they can decide whether they want to use an out-of-home service or to help with the income to pay for the mortgage and care for their children at home.

Mr d’Lima—Yes, and as my wife and I were raising our children—she was doing most of it at home—we benefited greatly from a neighbour who assisted us, and there were other networks that were involved: our church networks and so on. I think we have rather lost that. There used to be a very strong age-old tradition of older mothers helping younger mothers, and I think that has been abandoned now as so many women whose children have grown up are being forced back into the paid workforce not for reasons of career choice but in order to pay for the house. The materialistic culture has not helped that either, because that has enticed people towards feeling that they must keep up with the Joneses and have all the luxuries that people throughout history have managed to do without.

CHAIR—A comment was also made the other day by another witness that these days lots of grandparents are actually still in the workforce at the time when their grandchildren are being raised and do not have the time to stay at home and look after them as they once did, which is another factor among those.

Mr d’Lima—Indeed. So these are wider systemic questions about the living wage or a wage that would enable one breadwinner to support a family, questions of materialism and questions of escalating real estate prices. This is the whole broad context that I think we need to recognise and not lose sight of as we are looking at the question, because all of those forces impinge upon the current situation. So we cannot lose sight of those if we are going to find a way out of it. If we go further down the track of paying people to look after our children then we will be expecting breakfast, lunch and dinner served in schools as well, and we are moving in that direction. So I think it is a step in the wrong direction.

Senator JACINTA COLLINS—I will reflect on what I think is in some ways becoming a comparison of extremes. The point was made by our earlier witnesses that the nature of formal childcare usage seems to have changed over the last decade or so—or two decades is probably a better characterisation. With children placed in formal care in the past, there was a higher proportion of children placed in full-time care. Nowadays there is a far more significant trend towards parents seeking to adapt their workforce participation arrangements to reflect what seem to be some of the messages coming from the evidence as well, which is that there are issues around young children being exposed to very lengthy periods of formal care. But the reality, setting aside the issue of whether parents are making the choices that they might actually want to make, is that a very high proportion of our families are now seeking part-time child care for children between, we are now told, the ages of about nine months and three years, if we are just focusing on that particular group. When I look at your submission, I see that you say in recommendation 1:

In the light of:

- the evidence from long term studies demonstrating adverse outcomes from day care for under three year olds ...

That is a fairly generalised statement not quite reflecting what we know from the evidence. The danger of characterising that with statements that reflect Swedish child care, full long day care and full-time nursery arrangements, which—

Mr d’Lima—I think there are about 1,000 babies, or 1,000 under-threes, in 50-hours-plus day care in Australia.

Senator JACINTA COLLINS—And I think you would find that most people, including the Murdoch Childrens Research Institute, which we heard from yesterday, would say that we should be looking at more tools that will reverse that type of trend. But that is one extreme of the picture. Looking at the behaviour of families nowadays, I think the picture is of a high proportion of families looking for some level of part-time formal child care. Your submission seems to be saying that government, if we are talking about children under the age of three, should not subsidise such a large percentage—

Mr d’Lima—Our belief is that most of the parents do not want to use child care.

Mrs Phillips—Certainly not long day care. Why should the government be involved in this at all for the under-threes? Why can’t they pay the parents?

Senator JACINTA COLLINS—I think in part you have provided the argument for why government should, which is the research that tells us that, if families are going to be seeking child care, for the benefit of the children it must be the very best quality that can be arranged.

Mrs Phillips—The very best quality is at home. And we are saying: why should you penalise me because I care for my children at home and pay \$50,000 a year in lost earnings for doing so and then give a bucket of money to those who use out-of-home care?

CHAIR—Isn’t that a choice you make?

Mrs Phillips—Yes. But why should taxpayers’ money be given to the other people and not to me? It is not fair.

Senator JACINTA COLLINS—The taxpayers’ money should be directed at ensuring we maximise the quality of care provided to children.

Mrs Phillips—Yes. And at home is the best. So why should it go to out-of-home and not to in-home?

Senator JACINTA COLLINS—It will not always be the best under those circumstances or, indeed, because of the choices that the parents make.

Mrs Phillips—But mostly it is at-home care that is best. To make an across-the-board assumption that we will give far more money to those who use out-of-home care than we will to those who give at-home care is, I think, surely unfair.

Senator JACINTA COLLINS—Then we are back to the comparisons issue, too. I agree. I agree also with what the witnesses from Murdoch put to us yesterday, which is that this whole consideration needs to be embedded as a backing to all of the arrangements that we have to support families, to support children, to support communities, to support families, to support children.

Mrs Phillips—Exactly.

Senator JACINTA COLLINS—The ultimate issue being not so much fairness in terms of one class of one group as opposed to another class of another group but what is ultimately in the best interests of those children.

Mrs Phillips—And in the best interests of those children it is surely to promote at-home care where possible.

Senator JACINTA COLLINS—Yes.

Mrs Phillips—It is for the government to make available to the community the evidence that shows the dangers of long day care for young children and to put its money where its mouth is and provide support for those parents who do give the very best of care. You need to make it clear to parents what the dangers are, just as we used the example in our opening statement of a home buyers grant that gives more money to those who buy homes made of asbestos than to those who buy homes made of brick. I see that—

Senator MARSHALL—There is no such grant that does that.

Mr d’Lima—It’s a hypothetical.

Mrs Phillips—Exactly. It is a hypothetical. But I am saying this is the sort of way the government seems to be going with its current policies. It is effectively saying, ‘We will give you more money if you put your child in out-of-home care than if you give up a whole salary to stay at home and look after your child.’ That is the reverse of what it should be.

Mr d’Lima—The point there is that, for many years, the danger of asbestos was not recognised, whereas now we know better. And it may well be the case as the evidence seems to be emerging—

Senator JACINTA COLLINS—And the behaviour of parents—

Mr d’Lima—Indeed, the behaviour of parents is changing and parents are, as you point out, perhaps moving away from long day child care because they recognise the problem. There is just so much emerging evidence of families wondering whether this was all a terrible mistake. I think we will have more of that evidence as time goes on, and we certainly urge the committee to bear that in mind in its recommendations.

Senator BACK—I am late into the inquiry, so I hope I do not go over ground that has already been covered. In the end notes to your submission, you refer to a UNICEF study out of Florence. Were Australian children the subject of this study by UNICEF?

Mrs Phillips—I cannot answer that question. I believe it would have been drawn from a number of studies.

Senator BACK—Sure. It is just that you made the point that Sweden gets a perfect score on the UNICEF report card, which led me to the question: did the report card actually look at performance on a country by country basis? Whereas Sweden gets a perfect score on the

UNICEF report card, your evidence to us suggests that the Swedish outcomes are anything other than perfect.

Mrs Phillips—Yes.

Senator BACK—Am I missing something?

Mrs Phillips—It depends on who you ask and what your view is. For example, our own Institute of Family Studies tend to be in favour of out-of-home care. A lot of their reports have indicated this. But when you look more closely at the research that such a view is based on, there are questions about its validity.

Senator BACK—Sure. It also leads me then to an observation made by the previous speakers from Lady Gowrie. I understood them to also say that there did not appear to have been definitive research done here in Australia to actually address the question as to why parents do place their children into care at different ages of the child. Do we in fact have this research? Do we have this evidence in Australia? Has anyone actually looked across the board at those two questions: (1) the reasons why parents place their children into care at these various ages and (2) the outcomes?

Senator HANSON-YOUNG—There have been a variety of different reports. Later on today we are hearing from Barbara Pocock, someone who has participated in various reports about why families make the decisions that they do. Whether that is then linked to government policy outcomes is a different matter.

Senator BACK—Hopefully it might make some input. We will learn in Perth about this question that has also come up here today about four- and five-year-olds. In Perth for the last 10 years those children have now actually been in the school system, and we are arranging for somebody to make a submission in Perth who has a high degree of competence and has driven that process. But it concerns me that with the issues that you have highlighted, the examples from other countries, we do not seem to be able to have a comparison with Australian conditions in helping us to come to a conclusion.

Mrs Phillips—To do the research is very expensive. Who is going to pay for it? I have here an email sent a few days ago to Mrs Harvey, who gave you very brief evidence in Brisbane. It is from Emeritus Professor Barry Nurcombe. He was a professor in child and adolescent psychiatry at the University of Queensland and at the Vanderbilt University in the USA. He was congratulating Mrs Harvey for getting involved in the childcare issue, saying that he, as a professor of psychiatry, was involved in it in the 1970s. His recommendation for caution about women returning to work after birth and putting their children in child care was met with a storm of protest. Everybody seemed to be against them. The feminists said that Nurcombe's research was yet another example of how chauvinistic men tried to keep their women under the thumb and the employer's lobby was anxious to get more women into factories. He said that in the seventies there was no research to resolve the issue of potential damage to the infant because they were using crude measures of psychological disorder and initially they found no problems. He said that it is only in the last decade or so that Belsky has found attachment problems in infants in early day care.

Nurcombe goes on to talk about the distinguished body of research about the benefit of pre school education, which is for three-, four- and five-year-olds. That is different. He said, 'Having been involved in this field, I know the potential problems required to raise money for research.' Another issue is the need for most families these days to have two money-earning adults. These are the problems. In our current society most families feel they need to have two incomes. The research that would give quality results, where you have independent evaluators of the children's behaviour—not the mothers, but somebody quite independent and with a large sample and with a random sample, not people choosing to go in the survey—is very expensive. But I suggest it is something that the government needs to fork out the money to do.

Senator BACK—I am sure it may be expensive, but I do not think it would be high in the overall cost of child care to government.

CHAIR—There being no further questions, I thank you much for the evidence you have given us today. At the hearing in Melbourne yesterday we also heard from the Shop, Distributive and Allied Employees' Association, which also made a submission in support of greater support for women to be able to spend the early years of a child's life at home.

Mrs Phillips—Yes, I read their submission.

Senator HANSON-YOUNG—They were pushing for proper funded paid parental leave.

CHAIR—We will not go into what they argued, but they supported your contention that children are better cared for at home.

Mrs Phillips—Therefore, if you are going to pay for parental leave it should be for all parents and not just those in the workforce. Did they make that point?

CHAIR—I do not know, but it is probably not a debate we should have now. I thank you for your evidence and for the submission that you gave to the committee.

Proceedings suspended from 12.32 pm to 1.28 pm

ROBINSON, Mr Christopher, Chief Executive, Department of Education and Children's Services, South Australia

SHAKES, Mr Chris, Assistant Director, Policy, Department of Education and Children's Services, South Australia

WINTER, Ms Trish, Executive Director, Early Childhood Services, Department of Education and Children's Services, South Australia

CHAIR—Welcome. We have a comprehensive submission from the government. We thank the government for providing us with a submission and for making officers available today to speak to the committee about this important matter. We have questions about your submission but we first of all invite you to make an opening statement.

Mr Robinson—Thank you very much for the opportunity to appear before this inquiry in the important work that it is looking into. We appreciate the opportunity for a state government to give a perspective on the childcare issues that you are interested in. By way of background, I want to give you a feel for what our role as a state in the picture is, because it is quite particular and it is good to understand where we are coming from in the submission we have made.

The children services part of our portfolio is essentially responsible for the licensing of childcare providers in South Australia. The vast majority of that is either private sector childcare organisations or community based childcare organisations. In South Australia, they are pretty evenly split but it is slightly more community based. Our community based provision is quite high compared to other parts of Australia and we have a correspondingly smaller private sector delivery than other parts of Australia.

My department offers childcare places to some 3,800 children as well, which is a little over 10 per cent of the total provision of long day care places of around 31,000. We mainly run programs of direct provision in rural areas that are too small to attract private providers or community based providers. South Australia has a number of very small communities away from Adelaide. It is a state that has the vast majority of its population in the capital city, but there are a number of remote locations where it is not a viable option, so the government essentially intervenes in that part of the market. So we are a provider as well, but a minor one, and it is focused mainly on that market failure area where the other providers cannot provide a viable service, because we are concerned that child care is available to people in those areas.

They are our two main roles in the childcare area. We are a small provider and we are the regulator in terms of the licensing. Of course, the Commonwealth government runs a quality assurance process, and in many ways that duplicates the licensing process. As you are probably aware, there is work going on with COAG at the moment which is looking at some major reforms in this area, including a more coherent, streamlined system of licensing and quality improvement as one process, not separately run processes by different levels of government. Certainly we applaud that direction. We think that providers can have two processes tripping over each other, and that does not help streamline the way some of the key issues are dealt with. So that is a move in the right direction.

That is a little bit of background about the system. As you can see, we have given you a report from our perspective about the key terms of reference of the inquiry. To summarise, I think the fallout with the ABC Learning centre issue in South Australia has been reasonably well contained. We have not lost a lot of provision at the end of the day to date out of that process. It may have had a lesser impact in this state than in other states. There were 64 ABC centres in the state at the time and I believe only two have ended up closing to this point. In hindsight, that has been a pretty good outcome and we have not seen any major loss of provision because of what has happened. However, I would say from our perspective it has made everyone think about the way this unfolded. It created a lot of community concern and uncertainty about what might happen and it has made everyone think about how we can improve the system to avoid this sort of situation occurring again in the future. Parents need certainty in provision in their area to have confidence in taking decisions about going back to work or doing other things in our lives. The good news is to date it has turned out to be not nearly as major an issue as people feared it could have become.

We have made a few suggestions around the idea that in the rollout of the COAG work, with a greater dialogue between the Commonwealth and the states about how to take the industry forward, there should be more emphasis on the viability of providers. It has not been a factor in the licensing to date. The licensing has been around the minimum occupational health and safety standards, staffing requirements and so forth. As you are aware, there are a lot of different requirements in different places. The work that is going on in COAG at the moment is to end up having a national system with the same parameters applying in each jurisdiction, rather than this system of different standards applying in different states and territories. That has been difficult for providers that work across state boundaries. We think the COAG exercise that is going on at the moment shows some real prospect of addressing some of the issues in your terms of reference. But there are some other areas, like financial viability and regulation, on which people will be eagerly awaiting the findings of your review for some ways forward—that is, if we are to see no repetitions of the calamity and fallout of the ABC Learning collapse across Australia. Thank you very much.

CHAIR—Thank you very much. I will make an apology in advance. I have to get an early plane. I will leave promptly at two o'clock, and my colleague Senator Marshall will chair the rest of this afternoon's hearing. As I am leaving, I will ask the first couple of questions. You say that the South Australian government has a role in licensing childcare operators in South Australia. Do you simply license each operator or do you make an assessment of their performance and rate them in some way, either publicly or internally, for the purposes of assessing the quality of the care that they are providing?

Mr Robinson—That sort of question has fallen between where states operate and where the Commonwealth operates. Our role has simply been to see that they meet the required standards for licensing. That goes to things like the physical facility and the safety of it and any requirements on the qualifications of staff. It goes to those sorts of matters. We do not assess people beyond whether or not they meet that requirement for licensing purposes. The Commonwealth has been running the quality assurance part of the process. As I say, the two things are duplicative and the work that is going on at the moment will I think result in a streamlined, single, national approach that will involve both the Commonwealth and the states. But we do not do ratings on the services. Part of the new national quality standards that are in development at the moment, that have been through COAG and are out for discussion, have

included quality rating standards—that is, star ratings for services. So there will be a different take on this in the future, where parents will have more information about the nature of the services that are being provided and their relative rating.

CHAIR—In my question, I was really getting to how you would assess the relative performance of the community versus the for-profit sectors in child care. Without a formal ratings system in place, you must have an impression of whether you feel one sector or the other is better than the other. It is very hard to make that kind of comparison. I am not asking you to rate them vis-a-vis each other, but would you say that it was easier for one of those two sectors to reach the requirements that the department is imposing? Do more of one sector or the other struggle in some areas? What is your overall assessment?

Mr Robinson—We do not do that in any systematic way. A lot of people have different views—which are not necessarily based on evidence—about which kinds of providers perform better. What happens is this. If a service has breached its licensing requirement in any way, there will be work done with that service to get them to improve. A parent might complain or raise whether the provider is meeting their licensing requirements and as a department we will get involved, review their service and work on an improvement process to reach the standard. But if they are not willing to sort out the issue, occasionally we withdraw their licence. We would do that several times a year perhaps. It is not something that happens every day, but we do actually revoke licences if people are not meeting the standards.

CHAIR—Have you had to engage in that improvement process, as you put it, more often in the for-profit sector or in the community sector?

Mr Shakes—I think our licensing people would say that the centres that need more intensive improvement are distributed in both the private for-profit and the community based sectors.

CHAIR—Equally in both?

Mr Shakes—I do not have information as to whether they are equally distributed. My impression is that it is a site by site process and the work that is done is very much around improvements that need to happen in a particular location, so it is not possible to infer from that whether a particular chain of childcare centres or a particularly group of community based centres are more prone to be at risk.

Senator JACINTA COLLINS—Some of the issues would be about the age of the infrastructure too.

Mr Shakes—Yes, there are significant issues around the age of infrastructure. For instance, a converted 100-year-old house is more likely to have issues than a brand-new purpose-built building. There are some common issues that the sector has around being able to recruit and retain qualified staff, and that is right across the board. That is the area where, as I understand it, we are most likely to be pressured to exempt centres from meeting our basic minimum standards, and that is a sector-wide issue in terms of finding the right number of properly qualified staff.

Mr Robinson—Each ABC centre was licensed individually, not as a group. Like other sectors, our people have openly expressed to me anecdotally that there was a variation in the quality they viewed. A new part of the framework that is coming out now is the development of the early years learning framework. The focus in child care will shift from physically meeting certain requirements, the minimum staffing ratio or qualification requirements on particular staff. A learning development tool will be introduced across all providers of children's services from birth to five, so it will cover preschool education as well as childcare education for that age group. This will be introduced from next year when the work that is going on at the moment through COAG is concluded.

South Australia's curriculum has included a birth to five-year-old framework for early childhood education. To date that has not been compulsory except for preschools, but many private and community based childcare services have been using the framework—around 80 per cent we believe—to bring in early learning development programs for children. It is a structured play based curriculum designed to increase children's social skills, language skills and so forth. It has been widely adopted by people here even though it has not been compulsory and part of the licensing arrangement. The other part of our work has been to promote that process throughout the industry in South Australia. When the new early years learning framework comes in, we will be well placed to move to it because it is based on the curriculum framework that we have been adopting here already.

CHAIR—I asked those questions because there have been a number of witnesses who argued the element of profit or the profit motive in the provision of child care has inherently led to an inferior product from for-profit providers. What you are saying is that your experience of regulating those two areas of the sector in South Australia has not produced any evidence to either validate or negate that proposition.

Mr Robinson—Yes. We would have had people in both sectors having some difficulty, I think. We have not got a clear picture that it was a particularly greater problem in one sector than the other. This state has been very strong philosophically on the issue of early childhood education. I think there are a lot of people working in the industry, even who would have been working in ABC centres, who have that ethos. Some of them would have previously been in the preschool sector here and had training in early childhood development. They would have, if you like, taken the trouble to make sure they put the program in place even though they were in an ABC centre.

I do not know if you are aware, but when the federal government pulled out of early childhood education in the seventies there was a bit of a split in what Australian states did about it. Some states got out of the preschool education business. They gave a bit of a grant but got other operators—private and community, or local government—to provide the service. In South Australia and some other jurisdictions the government continued with a fully government funded preschool system. We have 90 per cent of our four-year-olds in it already, before the new policies come along from the federal government to try and increase that access to 100 per cent and to extend the hours of delivery. So there has been a very strong tradition in this state of focus on the early years, and a lot of people have been working around in one part or another of that area. There has been a philosophy—which may be different in other parts of the country—about the importance of promulgating the early years learning approach. Hence there is a high take-up rate amongst private providers of child care as well as community based providers in this state.

CHAIR—You say that the Commonwealth, through COAG, is playing a role in getting standard benchmarks across the country for provision of child care. Having agreed national standards is one thing. Having a role for a national regulatory body to actually make decisions, to make things happen across the country and to have some sort of power to impose regulatory decisions about those things is another thing. Does the South Australian government think it would be productive to have a national regulatory body with the power to make decisions about child care standards around the country and impose those conditions, as opposed to developing benchmarks and then inviting states to meet those benchmarks?

Mr Robinson—There is a lot of discussion going on about that very issue at the moment between the states and the Commonwealth. Our position is that we are very keen to see one approach rather than the two separate approaches we have now. We think being involved in part of that approach is bad for us. We think it is bad for providers to have two lots of people out and about tripping over each other, looking at some of the same things when they are looking at a quality improvement system or a licensing system. We think it should be one process.

There are a number of discussions going on at the moment about what the model might be. They have not concluded yet. I think the model that is getting a bit of currency around the place is an overarching national system but with the states doing the on-the-ground work according to that system that is consistent across the country. The South Australian government have not at this point formally considered that model or alternatives, but we are very keen to see a single overall approach coming out of this at the end of the day. Some of the problems have occurred clearly because there different places in different parts of the country have different operating standards, qualifications, requirements on staff, and ratios of staff to children of different age groups. It is a very difficult system to understand, let alone work with, because there are so many variances that do not need to be there across state borders. So a national approach is one we are favouring. We have not finally landed on exactly what that is going to be yet, but we have been doing a lot of work on it with the Commonwealth and other states.

CHAIR—Sure. Thank you.

Senator JACINTA COLLINS—I think, in part, one major achievement has been reached, which is that there can be one process.

Mr Robinson—Yes.

Senator JACINTA COLLINS—Realistically, that process may end up being a state delivery one because issues of difference between the states may end up being preserved under a national framework. But I am wondering in that where you see your recommendation for planning occurring?

Mr Robinson—I do not think the discussions to date have really taken on board this issue of prudential supervision—

Senator JACINTA COLLINS—No, not that planning. In some ways, actually, your suggestion about that could partly be together. There is the issue of whether the licensing should involve some process of viability assessment—

Mr Robinson—Yes.

Senator JACINTA COLLINS—but then there is also the issue of whether operators can just enter the market in any place regardless of the current level of delivery. Those two processes could be combined, but I am interested in some more feedback about where you think and how you think planning could be implemented.

Mr Robinson—Just on that point, as I mentioned in my opening remarks, we found in South Australia that there was a complete lack of provision in a lot of small localities. The South Australian government entered into the fray there to ameliorate that, because we were concerned about there being no provision in some of those small communities. I am sure that that is an issue that would arise in other jurisdictions. I am not sure how they deal with that or whether there are just some communities that do not get access to quality, long day care.

With our intersection with the school system, we also do some planning around before- and after-school care, and we are doing more work in that area. That is an area of concern to us, too, to make sure that all school communities have access to that. We have not got that situation yet but we are working with our school communities on that process. But, beyond those sorts of areas, there is not an overall planned approach to the provision. It is a demand and supply thing, and providers come in and supply. Our assessment of the market is that the supply is, by and large, adequate in most areas, and especially in metropolitan areas. As I was saying, in the country, there are some issues—in smaller country centres particularly. But there has not been a major problem in this state of a lack of provision of places. There may have been issues in other jurisdictions, but I do not think we have had a need, I suppose, to go to that level of planning to date.

Senator JACINTA COLLINS—The concern is, in part, to the contrary of whether in South Australia the experience of what I describe as ‘market gouging’ occurred in the ABC example—that they compromised existing services by setting up next door or establishing themselves in areas where there was already a reasonable level of provision.

Mr Shakes—I think that goes to another layer in this whole argument—the sense of there being an overall supply and then the nature of that supply. Going back to one of the earlier questions that was asked, our submission opens up the possibility of maintaining diversity of supply within the sector so that you do not have an unwelcome degree of concentration in one operator so that the whole market is healthier because you have diversity across the community and the private sector. I think it is arguable that in South Australia the strong role that the community sector has had has in some ways compelled the private sector to step up to the mark. I am not sure that I can empirically demonstrate that, but that is the strong sense that we get from working within our sector here. If families were not happy, for instance, with what ABC Learning provided, in many cases—and I think that the transitional arrangements demonstrated this—they were able to go to an alternative provider in the community sector. So the question of planning is not just about the sheer aggregate supply of childcare places; it is about to some extent providing diversity and choice for families in terms of who operates the services and some sort of guidance for them around the quality of services that they might be able to achieve.

Senator JACINTA COLLINS—What I am trying to get at, though, is where would you see that being executed?

Mr Shakes—I hate to be nostalgic—and I have been around this sector for quite a time—but multilateral planning arrangements used to exist in a childcare sector where the Commonwealth, as the major provider of funding, did have what were called planning committees in each state and territory. State governments were involved in those; key stakeholders from within the sector were involved in those. All of those committees looked at assessment of need and looked at providing advice to ministers on where highest need areas were. I do not see why that simple arrangement could not exist again.

Senator JACINTA COLLINS—Although, as I recall, those planning committees eventually wound down and stopped meeting. Was that because they were no longer being listened to? What was the failure in how that system that wound down?

Mr Shakes—I think the area of work, their remit, was progressively narrowed. Once the decision was taken, for instance, to allow market forces to determine where childcare places went in centre based care, that took out a large chunk of their work. Then family day care was the only thing they had to work on. Then before- and after-school care was the only thing they had to work on. So, progressively, as the laissez-faire approach expanded, those committees effectively had nothing to do and were eventually wound up.

Senator JACINTA COLLINS—So you are recommending that we should review the laissez-faire, exclusive market arrangements and implement a means of planning?

Mr Shakes—Yes, I think our submission says that.

Senator JACINTA COLLINS—One other issue for me as your recommendation about corporate governance. The creeping acquisitions issue has at least I think been partly dealt with by the Commonwealth. We have also heard some evidence about issues that were brought to the attention of ASIC. I am wondering if, from your experience, you have any recommendations that we should be considering about how to regulate corporate behaviour in this sector.

Mr Robinson—We have really appointed to that being an area that has not had prominence in the arrangements to date. I have also explained I think that at the moment there is a major effort going on to get a single national approach to licensing and quality assurance. But I do not think this has particularly featured in the proposals to date. We are suggesting in our submission that it is an issue worthy of some consideration. At the end of the day there are probably pros and cons in doing it. It is hard, I think, for regulators to assess viability. The banking industry has had enough trouble in assessing viability over the last few years with all sorts of organisations. In some sense, at the end of the day, people start their enterprise and then they either succeed or they do not. We are making the point I think that it is not part of the consideration at the moment and it is probably worth some consideration as to whether it should be. I am not we are saying hugely that we should definitely go down that path. We have raised it as an issue for consideration. It has not been a feature of arrangements to date.

Senator JACINTA COLLINS—The issue, for instance, related to ASIC was the question as to whether companies operating on the share market should be able to ascribe a value to their licences in much the same way as you would in any other asset.

Mr Robinson—Yes.

Senator JACINTA COLLINS—I think the question still in some of our minds is: what really is the value of a licence, if we use the South Australian example?

Mr Robinson—Licences, of course, cannot be traded. If a new operator comes in and takes over an existing business, they have to go for a reassessment—a new licence. So in a trading sense they do not have a value.

Senator MARSHALL—And it does not stop anyone opening up next door?

Mr Robinson—No. There is no requirement to say in the licensing process, ‘There is already adequate service provision in this area.’ The system has been a market system. If people offer a better product, consumers are free to transfer to that product.

Senator MARSHALL—So what does it do? All it would really do is that, if someone wanted to buy my childcare centre, it would say it has got a licence—and all that really means is that I am actually operating as a childcare centre legally.

Mr Robinson—It means the building they are operating in has been approved already, so it has met the specifications in terms of the requirements of that place to be a licensed childcare centre. So it tells you something. It has a value in that sense, if you like—that the physical premises have been approved and licensed.

ACTING CHAIR (Senator Marshall)—But it cannot have a physical value in a sense, because it is either operating legally or not, and you either meet the requirements of the licence to operate legally or you do not—so you cannot do anything with that licence.

Mr Robinson—I think your question is probably one for accountants in some ways, in terms of what value could appropriately be ascribed to this business by the fact that it has a licence.

ACTING CHAIR—It has actually been put to us that these licences were valued in the value of the company as a whole at hundreds of millions of dollars. More than 75 per cent of the total value of the company was said to be in the value of holding licences to operate as childcare facilities.

Mr Robinson—That may be an argument that certain proprietors used with their bankers to ascribe the asset base that they were working from, but—

ACTING CHAIR—They do not have a value, though.

Mr Robinson—it has no basis in legislation or official government regulation.

Mr Shakes—It is an odd question, because you cannot operate without a licence. A childcare operator that tried to trade in the state without a licence would not be able to do so. It is simply illegal.

ACTING CHAIR—And you cannot trade the licence itself.

Mr Shakes—No, because the process with each transfer—

ACTING CHAIR—It is not as if you can say: ‘I’ve got one. You can open up a centre next door and have it.’

Senator JACINTA COLLINS—Let me give you this example. In 2005, the ABC Learning annual report, so we are told, valued their licences at \$772.7 million in their balance sheet, with total net assets of \$845.5 million. That is 90 per cent of their net assets.

ACTING CHAIR—This is fraud, isn’t it?

Mr Robinson—It is not for us to comment on what that is. It has no basis in anything to do with the regulation system. I suppose one perspective is that, as Chris said, you cannot operate without a licence. But I must say I found what you just read out quite surprising actually—that such a large amount of the asset base would be attributed to a licence. You have to have a licence to operate. You cannot trade it. If you sell your business to somebody else, they have to get a new licence. That is the situation. So I do not know what that really means for whether that value has any valid basis from a business trading sheet perspective or an accounting perspective. But the situation is quite clear with licences.

Senator JACINTA COLLINS—If as a state government you were going to be in the future involved in a process that also looked at viability issues in terms of licences, then something like this would scream out at you, wouldn’t it?

Mr Robinson—It could do. It has not been part of our focus to date. It has not been part of our purview. The licensing process has essentially been around the physical premises and whether they meet the various standards. Each state has had some differences in those standards. It goes to things like the safety of the outdoor areas and those sorts of issues. It has gone around the staffing ratios for the age of children you have—you get a licence to operate to a maximum number of children, depending on the size of your premises and so forth, and the staff you have and the qualifications requirements of staff. It has been simply around those issues, not about anything else at all, and it has never had a process in it around the other areas, of the sustainability or suitability of that person or organisation to run the operation.

Mr Shakes—With one exception, Chris, and that would be the notion of a ‘fit and proper person’, which applies to both the company that operates the service and the management of the service.

ACTING CHAIR—What is the test for that? That is something that has crept into a lot of regulation and even legislation, to a degree. What does it mean?

Mr Shakes—It generally has to do with criminal histories.

ACTING CHAIR—In the sense of child care, is there actually a definition of what does not allow you to be a fit and proper person?

Mr Shakes—It is about suitability to look after and supervise children. It is child safety issues.

ACTING CHAIR—But surely it is not a subjective test—

Mr Robinson—No, it is about criminal record.

Mr Shakes—Everyone who applies for a licence has to first advertise their intention to. They also have to provide a criminal history screening, so we screen everyone who applies, and the managers of the service, and the staff. A lot of that is driven by child protection concerns, but not exclusively by child protection concerns.

Senator BACK—Are the 3,800 places that you provide in rural and remote locations actually on school property? Can you give us some indication of where these locations are in the remote towns?

Mr Shakes—They are almost exclusively are in our kindergartens, because we have a state-wide kindergarten infrastructure in those locations. We have added childcare places to them and we have done it in a couple of different ways. In the larger communities we have a larger-scale childcare service but in very small communities we work with the Commonwealth to have two providers providing child care to very small numbers of children, using our preschool infrastructure.

Senator BACK—Would those staff move between the kindergarten provision and the childcare provision at different times of the day?

Mr Shakes—They can, depending on their qualifications and the way in which the day is structured. Children can move from the preschool session into the childcare session, and the younger children can be cared for in particular circumstances while the preschool is operating. Also, these services run for 48 weeks a year and for a minimum of eight hours a day; whereas our preschool service operates for shorter periods of time—40 weeks and for a shorter day.

Senator JACINTA COLLINS—But they meet the CCB criteria?

Mr Shakes—Yes, they do meet the CCB criteria.

Senator BACK—And if there were a scenario in a particular town where another provider came along and put a case to you that they could or would take over that provision, you would be open to that or would you say, ‘No, we’re happy with the way in which it is running now’?

Mr Shakes—If they were able to be licensed and agreed to meet the Commonwealth’s funding requirements then there would be no barrier to their operating in that market.

Senator BACK—But they would need to provide a different venue, because they would not be able to operate it within the kindergarten.

Mr Shakes—I do not think we tested that. That is something we would need to think about. If an independent operator came to us and said, ‘We can deliver child care through your infrastructure’ we would have to consider it.

Mr Robinson—That has not really happened to date, but what happens in a context like that, and because our provision is mostly in quite small areas, we have not had many people wanting to start a service. But if they did, and if that service were very successful and, if you like, parents

voted with their feet, that might lead to us reconsidering the need for us to be involved there. But essentially it is not a common thing, because we are really operating at those margins that even the not-for-profit sector find difficult, because it is too small a scale.

Senator BACK—In other areas of South Australia are independent schools offering childcare places in similar circumstances—on their school campuses, for example?

Mr Robinson—They are, and some of them have preschools as well. I cannot speak for the independent sector in the terms of their before- and after-school care programs, but many of them do operate those programs—as do our government schools, so it is a matter for each school to organise the services they want.

In our case in the government sector we tend to have other childcare providers, community based providers generally, who will come in, work with the school council and set up the vacation and before and after school care programs. I think in the private sector similar things happen and sometimes they run the services themselves. So there are a range of things going on there as well.

Mr Shakes—In terms of long day child care there are only five independent schools that currently run childcare centres in South Australia.

Senator HANSON-YOUNG—I want to go back to something that you said about exemptions that are sought from providers. You mentioned that the bulk of those—correct me if I am wrong—tend to be around fulfilling the qualification requirements of staff. What are the reasons that are given?

Mr Shakes—This is quite a rigorous test, but there has been a long-term shortage of qualified childcare staff in South Australia and that is as I understand a national issue as well. Our licensing people insist that they advertise rigorously to try to find people. These exemptions are not granted automatically and they are also time limited. It is really a workforce supply issue which, I guess, if you were to analyse it systematically, would have something to do with rates of pay, working conditions and so on which are very low in the childcare sector. There are relatively high rates of attrition in the sector as well. The people who are qualified do not necessarily stay for that long. The sector tells us that there is a reasonably high level of churning of qualified staff as well.

We have, over a number of years, done some careful analysis of this problem. The state government has also provided a limited number of scholarships to allow people who are already in the sector to achieve the minimum qualification level, but we still have a proportion of centres that look for some kind of exemption for qualified staff and we would sooner we did not.

Mr Robinson—Just on that question as well, the new arrangements that are being developed between the Commonwealth and the states will put more of a premium, I think, and more rigour on the issue of what the qualifications requirements are. Just recently at COAG a discussion paper was approved, which has various options, and talks about ratios of staff to children and the qualifications requirements of different kinds of staff in those centres. You may be aware that the federal government has also put out some childcare training places through the VET system as well. I think that is going to become an increasing issue as I believe the result of this process will

be a higher standard than exists now in terms of qualifications requirements. There will be the need for further arrangements to support training or for people to be undertaking training while they are at work as part of the process as well. It is an area that is getting more attention and it is an important area.

Senator HANSON-YOUNG—It is correct to say that it is not just an issue that South Australia faces. We have heard it in every hearing thus far. The reason I asked about the reasons for exemptions is that some of the evidence that we have heard suggests that, if you are looking at your budget at the end of the day, paying for the highest quality staff is obviously a high cost. If you are struggling to make the books balance already, that is an extra pressure on anyone who is running child care for a business and for a profit perhaps rather than those non-profit providers. One of the other things that was raised was that in Queensland, where a number of initiatives have been introduced for training on the job for workers that are in there, you can often get the exemption as a provider for not having the necessary qualified staff if the staff in the centre are doing the training at the time.

Mr Shakes—Yes, we do the same thing.

Senator HANSON-YOUNG—And yet somehow it is taking those staff a long time to achieve that qualification. How do we avoid that problem?

Mr Shakes—What do we do here when people are in training?

Mr Shakes—We do the same thing, actually. We target our scholarships obviously to those services which have a history of exemptions. We provide scholarships that allow people access to courses and support them during those courses. I think our general experience has been that those operators are very keen on making sure that their staff stay in those courses because they then have an investment in staying in that same centre for a bit longer than they would if they were just going to blow through. So I think there is quite a high level of ownership at the operator level in relation to upskilling staff, provided that you can structure the right kinds of incentives for the person involved—in terms of, say, waivers of fees and so on, which are things we have done in the past—and the time to do the necessary work. So having time away from the centre is quite an important aspect as well and needs to be provided for.

Some issues that the providers have talked to me about have had to do with literacy levels for particular people and needing to provide a bit extra in that area so they can get the written work done. There have also been cultural issues—and we have particular strategies in our family day-care system to recruit multicultural care providers which address those same kinds of needs. So I think you need to have a proper scaffolding that actually allows people to begin from wherever they are at and provides the right sorts of assistance along the way. Individualisation is quite important.

ACTING CHAIR—I am afraid that we are now out of time so we will have to leave it there. Thank you, Mr Robinson, Mr Shakes and Ms Winter for your presentation to the committee today.

[2.17 pm]

POCOCK, Professor Barbara Ann, Director, Centre for Work and Life, University of South Australia; and Co-convenor, Work and Family Policy Roundtable

ACTING CHAIR—I welcome our next witness, Professor Barbara Pocock from the work and policy round table.

Prof. Pocock—I am appearing as the Director of the Centre for Work and Life at the University of South Australia as well as the Co-convenor of the Work and Family Policy Roundtable, which is a national roundtable of academic experts in the area of work and family.

ACTING CHAIR—We have received your submission. I invite you to make some opening remarks to the committee. That will be followed by questions.

Prof. Pocock—Thank you for the opportunity to appear. We appreciate that very much and we welcome this inquiry. We are a group of academics across about 11 universities. At last count, we comprise something like 18 academics. We are particularly experts in the area of work and family. We are not experts in child care and the intricacies of the administration of child care in Australia, although our group does include people who are acknowledged international experts in that area, such as Professor Deborah Brennan. We do come to this issue from the perspective of paid work and the questions of equity for women in the labour market.

Our attention focused on the question of child care in 2007, and this was prior of course to the events around the collapse of ABC Learning and the fallout from those events. We initiated a roundtable which resulted in a book, which I am happy to leave a copy of which you, of expert commentary and discussion about the state of child care in Australia. I think the most significant moment in that one-day workshop of international and national experts which led to the book was a moment where the entire room agreed that it was time to place the child more centrally and the wellbeing of children more centrally in debate around child care and to develop a more national and planned transparent approach to the provision of care so that it was affordable, accessible, quality care for Australian children.

In our commentary we are only really responding to the first three terms of reference. I would just like to say that my personal expertise is around work rather than child care. I would be happy to take any questions I cannot answer back to our group and to bring forward our responses.

I think the collapse of ABC Learning—and our submission makes this clear—is an event of tremendous significance to the Australian system of child care and illustrates, I think, some of the key factors which make mass corporate provision of care by single and large monopolistic providers a particularly hazardous practice and it is one that the international research community has been paying attention to in Australia. I think there are a set of factors which make corporate provision of care of particular concern, given the nature of the product. I am happy to elaborate on that, if necessary.

It is our contention that the issues raised by the collapse of ABC Learning, however, cannot be dealt by just thinking of that company as a bad apple. I think it points to systemic issues in the provision of care: the nature of the system, the way in which it is managed and its quality in particular, the conditions of its workforce and the development of arrangements for the provision of care across the country. We are strong supporters of a national approach. We think we are a small, rich country that should be able to manage a childcare system for 20 million people relatively efficiently without parents having to navigate complex state differences. We think providers of care, whether they are private or public, need coherence of system management. We certainly see a very strong role for government in a process of review and renovation of the system.

At the end of our contribution we draw attention to a set of principles which we think are important in renovating child care and improving it over time. I would draw your attention to the fact that we place centrally the wellbeing of children. We also think that child care plays a very critical role in the wellbeing of women. If we look at the workforce participation rate in Australia, with rising participation rates for women over the last 30 years and no prospect of them evening off, we see that currently we have 40 per cent of people at work on any day of the week in Australia who have responsibility for the care of a dependant and who need a quality childcare system to back up their labour market participation. Without that, we see inequity in the labour market for women.

I think it is also very important to view child care as a public good and as a major means by which we can address inequality in our society. If we have a system which delivers good care for children of the wealthy, people like me, and very poor care for the children of low-paid workers—indeed, even for those providing care in our childcare system—we are amplifying inequality through our childcare system. International research tells us that it is a really important powerful means of narrowing the gap in the early years between not just Indigenous and non-Indigenous people but rich and poor and households with high social and low social capital. We obviously see great value in rationalised planning, high-quality provision, good employment practices, a robust regulatory system and an affordable system. Of course, that is a very important question when it comes to paying carers appropriately and also providing care that is affordable for our potential and actual users.

We also see child care and joined up provision of services from very young ages through to school and the use of other services—that kind of integrated care and service model—as an important significant innovation in the Australian system. I will leave my comments there.

ACTING CHAIR—Thank you.

Senator JACINTA COLLINS—I would like to take you to points 8 and 9 of your 10 policy principles for a national system. You are suggesting that nationally we look at pooling the various levels of government input into early childhood care and consider a more rational approach to how it can be distributed.

Prof. Pocock—Yes.

Senator JACINTA COLLINS—You also make the point that the effective and efficient use of parental leave policies requires a progressive individual tax system that does not penalise

parents who move between paid work and caring duties or disadvantaged dual-income households, which is also a challenge in itself.

Some elements in the sector have said to the committee that a Productivity Commission inquiry is needed into how to more sensibly allocate CCB and that the tax rebate might be a sensible way ahead. I am not sure at this stage how much light the Henry review might throw on some of the tax related issues in this area. We are also looking at some of the other distribution funding issues. Has the roundtable considered the way forward in terms of the most sensible way, other than the COAG process, to address those types of issues?

Prof. Pocock—I am trying to remember if we made a submission to the Henry inquiry. I do not think the roundtable made one but members have, as I recollect. If the roundtable made one, I will send you that. I think it is appropriate to consider the rebate, the financial arrangements and the tax issues in the context of the larger renovation of the tax system. I would hope that Ken Henry would make commentary on the variable effects of the existing set of provisions on different family types.

Senator JACINTA COLLINS—I cannot tell you, at this stage, how well the terms of reference foster that. I suppose that is one of the issues.

Prof. Pocock—Yes. Without knowing how well that report is going to address the questions, it would be a great pity if it did not deal with the impact on labour market participation and family wellbeing of different tax and payment systems. I am not sure whether I lean towards a separate consideration of the rebate and related tax issues or not. I think there are some very tricky questions there and they certainly need attention but, I think, within the larger tax system. Just on the tax thing, I think one of the issues that our roundtable has been very strong about is not going down the route of tax deductibility. I think that is a principle about introducing a non-progressive element into the way in which families face up to the costs of child care, and I am pleased it has not been an aspect of serious public debate in Australia as yet.

Senator JACINTA COLLINS—The other suggestion that has been put to the committee is that we should look at the childcare tax rebate and consider disposing of that and putting it into the childcare benefit arrangements instead—

Senator HANSON-YOUNG—Or something that looks like that.

Senator JACINTA COLLINS—Yes, or a little different, so that it is more progressively allocated according to need.

Prof. Pocock—Centre-based as opposed to house—

Senator JACINTA COLLINS—Or both. Some have suggested that we look at removing it and providing it on a supply-side type basis.

Prof. Pocock—Eva Cox, who has a chapter in this book, is a strong advocate of that and we have certainly discussed it as a group. There are strong arguments for having a planned system, which puts the places where they are needed for the parents who need them and can afford them. You cannot plan a childcare system around the expression of demand through the pocket of the

parent alone. It is not an ordinary market; that is the point I would make about that. I think there are quite good arguments for putting the funding through properly funded centres as opposed to parents. I know that this is not something that everyone in our roundtable agrees on. It is complex.

Senator JACINTA COLLINS—This is one of the suggestions that the Productivity Commission could look at. Originally my thoughts around that were that, on the one hand, people are saying that the way we consider child care is too labour market orientated and not orientated enough on the needs of the child. That makes me wonder whether the Productivity Commission is the best place as opposed to somewhere else. The view that on top of all the good work we are doing at the moment to integrate and provide consistent standards and processes in this sector there is a worthy consideration of exactly how we fund it and how we could better fund it.

Prof. Pocock—I must say I was impressed personally with the Productivity Commission's paid parental leave report inasmuch as they understood the research evidence about benefits for mother and father and child of early leave, and had what I considered to be a very comprehensive look at that issue. I think they would be very well equipped to consider the issues. I think the source of the funding is important and certainly deserves deep consideration.

Senator HANSON-YOUNG—Just for interest's sake, I know that there have been a number of submissions to the Henry review on the similar issue of taxability of child care and other issues related to paid parental leave. There must be some points in the terms of reference that allow for that. Professor Pocock, in relation to your work directly on women and work, how do we balance the idea of giving parents the certainty of good quality child care and ensuring that we have national standards that set good benchmarks with the idea that, unless we have significant public funds invested or tweaked in some way, it will come back to those women who decide they want to make the choice to work, regardless of whether they have to take an extra day to cover their costs? If part of the choice of a working mum to go back to work is not just about finances but also about her own career progression, how do we balance that with the role of government?

Prof. Pocock—I think there are very strong public policy reasons why the government should be investing heavily to support the choices that women make. I am sure you would agree with this: we need to talk about men and women because we want parents to share more equally the care responsibility. It is incredibly unchanging in the Australian data: women continue to do most of it, despite the increase in their participation in the labour market. There are very strong public policy arguments for government provision to underpin the choices that women make. We also need to think carefully about the use of the word 'choice' here, because increasingly families are not making a blank choice; they are making a choice between—

Senator HANSON-YOUNG—Limited options?

Prof. Pocock—Yes—between limited options. Different women across the socioeconomic spectrum have very different choice parameters. Cost and quality are trade-offs that you make. If you are a low-income person, a sole parent, who is very keen to get a pay packet—and there is good research on this—you do not pay attention to quality, you do not ask questions and you will

often ignore what your child says about quality of care. Parents overestimate quality of care where it is in the shadow of economic deprivation.

Senator BACK—Is that research from Australia?

Prof. Pocock—No, I think it is international. It is in this book. I can certainly give you that story. Where supply is tight and demand is strong, choices are tricky and people make choices within that very constrained situation. So ensuring that quality care is provided by public intervention is a really important and significant contribution that governments need to make, because at the other end of the life cycle or in midlife, in the 20s and 30s, governments, the public and taxpayers pick up the price of poor provision for children under five. There is very good work by Nobel prize laureate economist James Heckman which talks about the seven to one return—the return of the dollar spent on the child in infancy. I think there are strong public policy arguments to support women's choices. The choice that a woman makes when she is on a low or middle income is much more constrained than the choice of someone on \$100,000 or \$150,000 who can hire a nanny. We need to make sure we have a system of provision that gives genuine choice to women across the income scale, and that is where public provision is so vital.

Senator HANSON-YOUNG—This might seem like a question out of left field. One of the comments that was made in Brisbane or Sydney was around active participation of men in the child-care sector. Even regarding just the people presenting to this committee over the last week, the men who have presented have not been people directly involved in the sector; they have traditionally been members of government departments or out-of-sector organisations such as unions. In looking at the conditions, wages and all the issues facing workers in the sector, is there a role of gender imbalance that is leading to that or, perhaps, holding it back?

Prof. Pocock—Yes, definitely. I think it is very important to have men and women modelling care in centres. The reason that we have a sector that is very dominated by women is that men are not stupid. The pay rate is appalling; the conditions are appalling. I have done a lot of research amongst childcare workers and I understand the pay rates at present are \$14 to \$18 an hour. We pay cleaners in the city, where they are affiliated to the Clean Start campaign for the LHMU, \$20 an hour. We have a wages system which is totally out of wack in the nature of the qualifications and skill that we ask of childcare workers and the pay rate that we give them.

And it is not just the pay rate. I have interviewed many childcare workers who take work home on a regular basis. They work extended overtime unpaid. We are doing research at the moment on the training issues and qualifications of childcare workers—the cost of training, the time costs in particular, for workers. This is a sector where we really need to have a national approach to improving the recognition of skill that is already exercised by workers on the job in order to improve their pay rate, and men will not enter that sector until the signals are there for them that the pay rate is there. Many childcare workers work in this sector because they love child care, and they are expected to take a hit in their pay packet because their values align with their job. That is really inappropriate. We do not do that to corporate executives, to academics or to any of us. Many of us love our jobs but we do not take a 30 per cent pay cut. Childcare workers at present are subsidising the childcare provision in this country by—the figures are in the book—around 18 per cent. If you paid them as the early childcare educators that they are, as New Zealand now does, if you look at the gap between what they are actually paid and what

they should be paid it is something like 15 per cent to 18 per cent. They are personally subsidising through unpaid overtime and underpayment.

Senator MARSHALL—So you are saying that they have addressed this problem in New Zealand?

Prof. Pocock—In New Zealand, as I understand it—and I am not familiar with what has happened in the last year—they looked at qualifications and improved the requirement of qualification for childcare workers in the system, and they put in place a system to move towards the payment of all childcare workers at an early childhood educator teacher level. That has created quite a considerable fiscal burden, but they recognised that often you need a superior level of skill to deal with the nature of the challenge.

Senator MARSHALL—An obvious reason for me asking that is to see whether that has had the desired impact of the market working to—

Prof. Pocock—Attract and redress it.

Senator MARSHALL—There is a need, a demand. The wages come in and go up.

Prof. Pocock—Men are attracted to work which offers development, decent pay and the opportunity for a career. What we have in child care is a very truncated coathanger, where the opportunity for progression is very unattractive. Many childcare workers say, ‘I’m never going to be a director. Look at that job, and it’s \$20 or \$30 or \$40 a week more than I am earning now!’ There is a real problem with how we reward experience, skill and greater responsibility in the system.

Senator HANSON-YOUNG—I will go off on another tangent. We have heard a few suggestions from various witnesses around the role of employers in childcare provision. I am not talking about employers providing child care but about employers being engaged with their employees, whether it is allowing them flexibility to help with vocational care or after hours care or building relationships with childcare providers so that there are some spots for a company’s employees. Do you have any thoughts on the role that employers could be taking, and perhaps incentives that could come from government, to help drive that?

Prof. Pocock—I think there is a great deal that employers already do in some areas to win that sense of being exemplary employers from their employees. In some cases, that will mean liaising with local providers to open the doorway or ensure good information about possibilities for before or after school, early infant long day care or whatever form of care. For some employers it will not be care that is the critical piece; it will be flexibility of start and finish time or opportunities for extended breaks or whatever. It will depend on the age and the care profile of the employment workforce. But I think there are a significant group of Australian employers now—and very far from the majority—who are listening to what employees want and responding to it, because they recognise the gender shift and the care load shift amongst their workforce.

I think employer provision of care was a bit of a dead end that we went down and looked at more closely in the eighties. A lot of parents want care to be close to the home because they

know their children will go to the school there and that that is where the social relationships will begin to be consolidated. They do not want to be taking their child into the centre of Sydney. Although Lend Lease might have a fabulous childcare facility—as it does—they actually want care to be in Lewisham or close to where they live. I think employer provided care makes sense in a hospital setting or where there are a very significant number of workers or there are people who work shifts. But for most employers provision of care will not be the answer; rather, listening to the workforce and thinking about the things that can make a difference will be.

Senator HANSON-YOUNG—What do you think government could be doing to help encourage that?

Prof. Pocock—I think they could make sure there are good information systems about care opportunities that exist around people locally. That is very important. There should be diversity of care provision, including for children with special needs. Providing care for special needs groups is more expensive than providing it for other kinds of kids who do not have those needs. It is very important for government to make sure that diversity of provision is available for children and that it is available in the right spot. That is why a national planning system is quite important. I hope that comes through in our submission.

Senator HANSON-YOUNG—Thank you.

ACTING CHAIR—It has been a long day, and maybe I should be a little bit more diplomatic with the way I put this—so do not take offence. You talked about how we have to stand back now and look at child care from the point of view of the best interests of the child. But then I thought you went on to talk about the importance of child care in addressing the inequity for women in the workforce issues. Those issues do have to be addressed, but child care was seen as one way to address those. If we are looking at child care as a way to address those issues, we are not actually looking at child care as necessarily being in the best interests of children. That is why I said maybe there was a better or more diplomatic way to put that. Would you address that? It seems to me to be a bit of a contradiction.

Prof. Pocock—I think there is a complex knot of issues that we try to address when we provide child care. We are obviously thinking about the child, we are thinking about gender equity and we are thinking about labour market participation. Our sense in 2007, as a group of academics, was that we have often thought of child care as a labour market support and that we have not had a very comprehensive look at the impact on children. I think the international research about the impact of poor quality care on kids has really made us, as a group of academic researchers, rethink this and place above and give more prominence to the outcomes for the child because of the long-term effects when we get it wrong. That is not to say that participation in the labour market and supporting that and gender equity are not also really important policy goals. Of all of those policy goals, we were thinking there should be more priority given to providing quality care that supports the wellbeing of children. It is a complex picture, and as policy makers we are trying to do several things at once. But we cannot think of child care as just something to underpin the rising participation rate of women. We affect the lifelong opportunities for children if we get it wrong.

ACTING CHAIR—Is there a sense that we have been getting it wrong? I have a vested interest.

Prof. Pocock—Yes. It is something to think about a lot as a parent.

ACTING CHAIR—Both my children were in long day care, and I am wondering at what age I should be looking over my shoulder that they are going to—

Senator JACINTA COLLINS—They might come for you!

ACTING CHAIR—They are 13 and nine now. I still know the friends that they went to long day care with and they are at school with them, and I do not see dysfunctional children running around. In fact, I see some very healthy, well balanced, very socially active and settled children running around.

Prof. Pocock—I am sorry; I did not mean to imply in any way that—

ACTING CHAIR—Well, some of our previous witnesses have, and I am getting a bit worried.

Prof. Pocock—No, absolutely not. I think the international literature on this is really interesting. For all children, the key question is the quality of care. Even if we have poor quality care, in some cases that is superior to the household environment and will result in better outcomes than a child being left with a mother who is depressed or in an unsafe situation. The key thing is the comparison between the quality of care in the household and the quality of the care option available to the child. That said, there is, I think, a significant body of research now which suggests that we should give extended parental leave to parents to allow them, in that first year, to have the time that they seek. Not all parents seek to have 12 months at home with their child, but the majority of Australian women want at least six months, and that is why the change in parental leave is very important. But the research says that quality care results in very positive outcomes and especially positive outcomes for children in low socioeconomic households. You can really lift the emotional and cognitive capacity of children very significantly by putting them in touch with the resources and support and the educative and care arrangements which grow them. I am not suggesting in any way that participation in early childhood care—formal care, for example—is associated with negative outcomes for children. It is not true. It really is this difference between household and the care arrangement. I think the bottom line of that whole story is: we should be providing quality care options to parents who need them so that those who choose to go back to work at three months have good backup with quality care and the kids do not pay a penalty down the track, and those who want to stay at home with their children have that option if they choose to. There isn't evidence which suggests that all childcare is bad for kids. There is some evidence that early extended periods of care for children less than one year old can be negative. But that is very carefully hedged when you read that research, which is mostly from the US, which has a very different childcare system from ours—much poorer quality—and from the UK, where it is a bit more comparable though much sparser. For that very early infant care period, the evidence is a little bit more open to interpretation. But quality care for children over one where the parents seek it and where the child is well looked after is associated with very positive benefits.

ACTING CHAIR—We have had some evidence put to us—effectively, an article from the *Daily Mail*—referencing some Swedish studies saying that we are going to be in for it very soon

because too many children have been in day care, but you are not suggesting that that has any veracity.

Prof. Pocock—I think it is a very complex area, and I think that having very tiny infants in very extended periods of care—which does occur for a very tiny proportion of Australian babies—is not desirable. That would be my conclusion. I would try not to do that as a mother, and would tell my daughter not to do that—if I had any influence! But I think that is a very tiny part of the picture in this country. And the key thing, even for infants, is: if the mother is choosing it and the father is choosing it, the best thing we can do is to get the quality of that care as good as we can.

Senator BACK—I would just make the observation, Acting Chair, that it is your children who will get to choose the nursing home into which you go, so I ask you to remember that!

Again I ask the question which has been asked before on the social policy area: is there the capacity for this research to be done in Australia? Could a group like yours, properly funded, do this work? I am always very interested in learning about trends in the United States or the UK or Sweden or somewhere else, but Australia—for geographic, population and population density reasons, and because of the concentration of people in different areas and the diversity of our cultural backgrounds—presents a very different picture. It just concerns me, having had the first opportunity to sit on the committee today, that we just do not seem to have the quality of recent Australian research. The point has been made that it is very expensive. I am sure it is. So is providing the overall service. It just worries me that we do not have any good, independently structured, properly refereed research in this area. My questions are: (a) how can it be done, (b) do you believe it needs to be done, and (c) could your group in fact act as facilitators if funding was in place to do it?

ACTING CHAIR—This isn't a job interview!

Prof. Pocock—Just give me the jack!

Senator BACK—You only have one gentleman on this particular panel, I notice.

Prof. Pocock—Yes. We have to keep control of that.

Senator MARSHALL—Never ask academics if they'd like to do some research, especially if it's paid!

Prof. Pocock—Setting aside the self-interested aspect of that question, I had written down research as a point that I did want to raise with the committee. I mentioned James Heckman before. It is a piece of research that we all use but, you know, it is a very tiny study. It is a really unreliable seven-to-one figure. James Heckman would recognise that. It is a really robust little study, because he takes a group of kids and tracks them over time, but their system is so different to Australia's. You are absolutely right. We need robust local studies which allow parents to have confidence about the choices they are making, and parents need good information about outcomes from different kinds of care, different periods of leave and so on. It is very poorly provided at the moment. We do have a really good Australian longitudinal data set, LSAC, and it takes a group of children who are two and six and tracks them over time. We are beginning to

see the fruit of that data being analysed. Some very good researchers have been working on that. I think there is a really strong case for what you are suggesting—that is, we need to monitor more clearly and invest more in long-term studies of the benefits and aspects of care that can be improved with positive outcomes for children and parents.

Senator BACK—It seems we also have little understanding in the Australian context for the background behind the decision making by families—women particularly—as to why their children participate. Anecdotally, I guess plenty of people think they know the answers. One group earlier today, the Lady Gowrie group, were saying exactly that—that there does not seem to have been good Australian research. It just worries me enormously. Quite obviously, from the submissions that have come in and from the brief discussions I have had, this really is a critically important area. It comes at a time when, because of the recent ABC activities et cetera, this is a critically important area, and this is a critically important committee to be considering it. It just seems we are being asked to make decisions or recommendations based on inadequate information. That really causes me concern.

Prof. Pocock—A couple of years ago, I did a small study with interviews of children. Part of that was their reflections on child care. I must say as a parent I found it incredibly refreshing to hear kids talk so much about the positive experiences they had in care which had not occurred to me—relationships they formed that they took right through high school, diversity of toys, diversity of play spaces, which they did not have at home, and a whole range of things which I had not really thought children would recount as memories when they were 16. I think that the child's voice in that research would be quite an interesting thing to see expanded as well. We do not have the systematic work on that.

ACTING CHAIR—Following on from part of what Senator Back said, we do understand generally the reasons why parents make these decisions about workforce participation, don't we? Is that information there or do we still not know that? I would have thought a lot of that is self-evident. I guess as a parent I understand the reasons that we did it, but I just assumed they would be the same sorts of reasons that every other group of parents had.

Prof. Pocock—I think there is a lot of information about the labour market side, the decision making that parents have about whether to participate and how much to participate. There is a lot less about the childcare system and its operation and outcomes in the Australian context. That is where the LSAC data is quite useful.

Senator HANSON-YOUNG—And that is about the longer term impact as well.

ACTING CHAIR—What are the sorts of things Senator Back is talking about in terms of a research project? Does this need to be a 10-year project or could it be a one-year project? What sort of time frame would we need to learn what sort of information? I think it would be useful. I also agree: while we can learn lots from other studies, I think there does need to be an Australian context for some of this. But what do we learn and how long would it take?

Prof. Pocock—The best way of answering that would be to convene a group of research experts who can look at the data that is there through the LSAC material, for example, and then think about a long-term research program—a decade, I would think, would be sensible—so that the Australian public can be better informed about how a system can work more effectively in

the Australian context. I do not think it is appropriate for me to just devise research questions on the spot, but there are excellent researchers. The problem with that a lot of research funding in this kind of pivotal area is that it is very fractured in its funding at present. The Australian Research Council funds some studies. A researcher can think of the right idea and can get through and win success for their research idea, but we need a more integrated national research program which builds on the existing data. The Fiona Stanley model is very good and brings together the best national researchers to agree on key questions and then seek funding to take them forward in a comprehensive and significant way. I think that would be a good model.

Senator BACK—It seems to me, continuing on from what the chairman said, it really is a changing picture, even if you took a 10-year study. I suspect Australia was very different 10 years ago to Australia today—the number of single mums, the ethnic background of migrants coming in. In my own state we have a more significant number of African families coming in, whereas a decade ago it was Asian, Vietnamese and others; 20 years ago it was different again. I would be very surprised if that did not have a huge impact. I suspect that the reasons those people have to go to work and their expectations, demands and desires for their children in care would be very different from this group, for example.

Prof. Pocock—There are diverse populations and there always have been in the Australian child-care market, if you like—the field of users of care—and that needs to adapt to the changing set of demands. I agree.

Senator BACK—If we do not get a handle on some of this, in 10 years time we will not be helping our successors either.

ACTING CHAIR—We are nearly out of time. Would you like to throw in anything with respect to ABC Learning? I guess that failure is one of the things that has helped generate this particular inquiry. Do you have any views that you would like to share with us about the adequacy of the for-profit sector in this area, if we are looking at a more educational type structure of care? Perhaps you would like to add something.

Prof. Pocock—Our group would want something in the transcript about that. Our view is that we need a good regulatory framework which adequately and thoroughly polices standards and provides a framework which has adequate staffing—properly qualified and properly paid staff. That framework creates an environment within which private and for-profit providers work. We think that is very important. But I think there are very good systematic arguments for being very cautious about for-profit provision. You set up direct competition between shareholder value and quality of care for children, which makes our experiment with such fast expansion in corporate provision particularly concerning. We really need to distinguish—and the Australian research tells us this—between owner-operator and corporate providers. The research tells us that carers in centres have very different perceptions about quality of care provision, staffing ratios, qualified staff and so on in owner-operator versus corporate providers. That research was done by the Australia Institute. I do not know whether it that has been drawn to your attention, but it is a really interesting—

Senator HANSON-YOUNG—It has been brought up in every hearing we have had.

Prof. Pocock—It is very convincing. Child care is not like apples. It is a soft product; it is very hard for parents to read quality. Parents approach child-care centres hopefully and have trouble sometimes interpreting whether it is quality care or not. The profit provision really encourages creaming—that is, the provision of cheap forms of care for children over the age of two and not for children with particular needs or expensive children under the age of two. It leads to uneven geographic provision, which is really not serving the Australian community more broadly very well. You cannot have a profit-seeking supplier leading the provision and structure of choice. The fact that we have such high levels of demand in some of our big cities is a very strong argument for government intervention.

Finally—and all of our work was done prior to the ABC collapse—I think the instability introduced into the system by corporate provision of child care is hazardous for parents who want stability. One of the major things that is associated with long term positive benefits for kids is consistency of relationship with carers and the centre and the kids that they are amongst. So we really do not want to be chopping and changing centres and having the corporate shadow shaping that.

ACTING CHAIR—On that note we will finish up. Thank you very much for your presentation and for your submission to this inquiry.

Committee adjourned at 3.00 pm