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Official Committee Hansard

COMMUNITY AFFAIRS REFERENCES COMMITTEE

Reference: Child care funding

TUESDAY, 21 APRIL 1998

MELBOURNE

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SENATE
COMMUNITY AFFAIRS REFERENCES COMMITTEE

Tuesday, 21 April 1998

Members: Senator Bishop (*Chair*), Senator Knowles (*Deputy Chair*), Senators Bartlett, Forshaw, Neal, O'Brien, Payne and Synon

Substitute members: Senator Gibbs for Senator Forshaw and Senator Woodley for Senator Bartlett

Senators in attendance: Senators Bishop, Neal, O'Brien, Payne and Synon

Terms of reference for the inquiry:

- (a) impact on families, children and child care services of:
 - (i) the abolition of grants and subsidies to child care and vacation care and any future abolition of operational subsidies for family day care services,
 - (ii) any reduction of families' access to Childcare Assistance and the Childcare Rebate,
 - (iii) families only being able to access child care subsidies in the form of Childcare Assistance and the Childcare Rebate if their children are cared for by carers other than the parents,
 - (iv) limits on and regional allocation of child care hours and places and the extent of unmet demand for child care places,
 - (v) any reduction in quality of services or the accreditation system, and
 - (vi) implementing the Child Care Payments Bill 1997 on 27 April 1998;
- (b) the extent and impact of:
 - (i) fee increases related to budget cuts,
 - (ii) child care service closures,
 - (iii) any reduction in child care places,
 - (iv) the use and nature of unregulated, backyard care, and
 - (v) any reduction in hours and services provided to children;
- (c) the effect of taxation, including but not limited to the Family Tax Initiative on parents and their ability and choice to participate in the paid work force or in the full-time care of their children;
- (d) the effect of child care subsidies (in the form of Childcare Assistance and the Childcare Rebate) being available only for families who contract out their child care to others, and not for those who provide child care at home;
- (e) the effect of fee increases and changes in the child care sector on women and their ability and choice to participate in the work force;

- (f) the extent of reductions in Federal Government revenue from people leaving the work force because they cannot afford child care services and the additional cost to Government of social security payments to them and their families;
- (g) the impact on work-based child care and workers where fringe benefit tax exemption for employer-sponsored care has been denied and any restriction on child care places; and
- (h) the impact of the Government's changes on workers in the child care industry and their conditions, and associated job losses.

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MERTINS, Ms Antoinette, Manager, Social Policy and Planning, Moreland City Council, 233 Sydney Road, Brunswick, Victoria 3056	78
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SCHROEDER, Ms Liz, President, Committee of Management, Perry Street Child Care Centre, 129 Perry Street, Fairfield, Victoria 3078	51
SGRO, Ms Silvana Cristina, Branch Official, Australian Liquor, Hospitality and Miscellaneous Workers Union, 117-131 Capel Street, North Melbourne, Victoria 3051	63
SHAND, Mrs Nicole Louise, Child Care Coordinator, Casey City Council, PO Box 1000, Narre Warren, Victoria 3805	78
SIEMON, Mr Donald McIver, Social Policy Coordinator, Brotherhood of St Laurence, 67 Brunswick Street, Fitzroy, Victoria 3065	94

SKINNER, Mrs Keryn Joy, RMB 1056, Beechworth, Victoria 3747	63
SMIT, Mrs Pauline Mary, National Secretary, Women’s Action Alliance (Australia) Inc., 6/493 Riversdale Road, Camberwell, Victoria 3124	101
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WATSON, Mrs Margaret Ann, Coordinator, Derek Robson Children’s Services Centre, Chiltern Street, Broadmeadows, Victoria 3047	51
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WRIGHT, Mrs Frances, Delegate, National Association of Community Based Children’s Services, 1st Floor, 48 High Street, Northcote, Victoria 3070	16
YOUNG, Ann, Australian Child Care Centre Association, PO Box 2001, Barker, Victoria 3122	2

Committee met at 9.01 a.m.

CHAIR—I declare open this public hearing of the Senate Community Affairs References Committee. The committee is taking evidence into matters relating to child care funding, which was referred to the committee for inquiry and report by 30 June 1998. The committee will commence proceedings with a community forum. This segment will give individuals in the audience an opportunity to comment on issues relating to child care. You may wish to comment on issues such as access to child care, standard of service provided, financial impact or decision to remain in the paid work force.

Today's proceedings are an official inquiry of the Australian Senate. All of the information given to the committee will be recorded by Hansard. This first session will go from 9.00 a.m. to 10.00 a.m. and your speaking time will be limited to three minutes each. You may make any comment you wish on any matter associated with child care that is of importance to you or of relevance to the inquiry process of the committee.

BENNETT, Soula, 32 Mayfield Street, Coburg, Victoria 3058

BLAKE, Tricia

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WAITE, Rosemary, Victorian Children's Services Association

YOUNG, Ann, Australian Child Care Centre Association, PO Box 2001, Barker, Victoria 3122

SIOBHAN HANNAN—I have three children. One started school at the beginning of this year, but the other two are aged three, and six months. In February this year I was offered a job as a kindergarten teacher working three days a week, for which the wages are around \$200 a week. The child care bill for me to take work for three days a week would have been \$210 a week. I did not take the job.

Really, I think what the federal government needs to understand about child care is that it is here to stay. The community's attitudes to child care have changed, and society has changed to the extent that families need two incomes. When you have young children, your need for money is huge, and people actually cannot survive without at least 1½ incomes. Unless the federal government wants to do something to raise wages to go back to the point where a family can live on one income, or legislate to keep the cost of housing down to the point where people can afford to buy housing on one income, then the demand for child care is going to be there. Yet people really cannot afford to pay the full cost of quality child care just from their own resources. There must be some help from government to make it viable.

The child care centre that my kids go to is a 35-place centre—a very high quality centre of 20 years standing. It was established with federal government funding. It represents a huge investment by government in child care infrastructure and yet now they are undermining it to the point where it is really in danger of having to close. A couple of years ago, we had 50 families fully occupying 35 places, and we had a waiting list of some 50 or so families. Now, 40 families barely fill 25 places. We are having to run it as if it were a 25-place centre. It is very difficult to make ends meet under those circumstances, and it means that staff are no longer secure that the centre is going to be around, so staff are starting to leave. Anyone who knows anything about child care knows that the most important thing for kids is continuity of care. They need to know that those in charge care about the security of the people around them, and to have staff leaving is the most devastating thing for kids. It is really making a mess of child care in our area.

ELIZABETH DENNY—I work in the East-West Childcare Centre, which is a parent-community cooperative in Fitzroy and which has been operating for nearly 20 years. I would like to talk very briefly, not so much to talk about the immediate effects of government cuts on our centre but simply to state that our centre, as with many, has reached rock bottom in what it can cut and still continue to offer quality child care.

We have had a study by the City of Yarra in which our centre was assessed as having the most economic and the best management practices of any centre that they had come across, yet still we will not be able to operate and offer quality child care unless we raise our fees and make our services available only to the wealthy members of our community. Every week we have families coming and asking for child care, but we cannot offer them care unless we can lower our fees.

Throughout the United States, which has an economy based on public and private subsidy of child care centres, it has been proved time and time again that you cannot offer quality care to middle income or working-class families without subsidy, from government, from private companies or from other areas. It is not possible to deal with the essential needs of young children without adequate numbers of staff, without fully trained staff, without a decent centre for them to be in. That is quite obvious, I think, from all the studies. That is all I really need to say. I think it is quite clear what is happening, and I think you will hear from other people stories of their own individual experiences. Thank you.

MARGARET HOWIE—I am representing the Brunswick Creche and Day Nursery which is just down the road. Yesterday we had a small committee meeting to discuss what we would say if we had the opportunity to speak. I think you will probably hear from

everyone else here how hard it is with the subsidy gone and how everyone is struggling to make money or to break even.

The point that we really wanted to make was that the hardest thing for us as a community child care centre to do has been to change the way that we think. The primary concern was always providing quality child care and looking after children. We now have committee meetings where we look at ways to cut costs and compete with private child care. It is just wrong.

I think it is absolutely appalling to make children become pawns in some government ideology. You cannot make child care competitive; you cannot make children part of some game. What is wrong with wanting accessible and affordable child care for your children? What is wrong with wanting to go back to work knowing that your children are safe, that the staff who work with them are secure and happy in their jobs and that you are not struggling all the time to provide quality care for your children? What is so wrong with wanting something good for your children? That is what we wanted to say.

As a committee, we do not understand why we have to go through this terrible pressure all the time to compete with other child care centres when all we really want to do is provide quality child care for children. It is wrong to make children part of this. I think you understand what I am trying to say.

ROSEMARY WAITE—I am from the Victorian Children's Services Association. Today I am representing 130 non-profit child care centres in Victoria. We previously had 140 members, but 10 have had to close following the loss of the operational subsidy. The Brunswick Creche and Day Nursery just mentioned is a perfect example of what will be a national tragedy. Many of these centres were founded at the turn of the century. To have them now in danger of closing will be a national tragedy, to say nothing of the dozens and dozens of other non-profit community owned centres that have been managed for years and years and years with voluntary effort. Those centres are now in danger, because the ordinary working families of this country cannot afford the fees. That is the case in both the inner and outer suburbs of Melbourne. There are many other people here who will give you personal examples of the national tragedy that is occurring in our country. Thank you.

MONICA HAINS—I am the coordinator of a child care centre in Prahran and I live in Elwood. I have been in the industry for many years, and always in a community based area. For the first time in the 25 years that I have been working at this centre, we have not got a waiting list. It is just not there. We find that the gap between what we have to charge the parents and what the government would subsidise in fee assistance is so wide that people are unable to cope, particularly the single parents who need to get out of the home to do training. They want quality care for their children and they find it is just too much.

I have also found that many grandparents are looking after children, which is causing a lot of granny stress—that is a good term that is coming out in all of this. The other thing is the quality: because the fees are so high and we do not have as many children as we usually have, it means that we have to cut down on staff, cut down on food and cut down on programs—and that is where the quality falls down. The most important thing for the government to remember is that these are young children. They are the citizens of the future.

They are the people that we have to care for to give them good grounding in their very early days. Thank you very much.

MARY RAINSBURY—I have been in child care a bit less than Monica. We are probably two of the oldest people in this room in child care. We have been witness to the highs and lows of child care—the high being when the Labor government came in and suddenly child care was given some life and some direction. Before that child care had been overlooked and somewhat shamefully treated as a place where people who did not really want their children around them all day, or who were sort of not really on the social scale, left their children so they could go off and work in factories and places like that.

We now have a more enlightened atmosphere. A lot of the parents here today are people who are struggling to have a quality of life which we should remember that our fathers and grandfathers went and fought wars for. We are people trying to live a life that is not to make sure that we have got a Mercedes Benz parked out the front, but it is to make sure that children have a chance of a quality of life. That is what people have fought for and what we are striving for.

What we need is a continuation of support. When our support was taken from us with the reduction of operational subsidy, words were used such as, ‘The private sector has provided care. Why can’t the sector that you are in provide this care?’ We looked at ourselves very carefully and we found that a lot of the people that we provided care for were people who came to us because there was nowhere else to go.

We have people in high-rise flats who live on, say, the 20th floor and who cannot send their children out to their backyard to play. We have children that come in for care and protection. Now you do not hear much about that, but that is the case. As Monica so aptly said, granny stress is something you will be hearing a lot more of because, on a personal note, I can tell you that I have quite a few families who were full-time families and who then went down to part time. The grandparents were the ones who were asked to fill in. Now that works for a very short time because while the grandparents love their grandchildren and want to care for them, unfortunately, young children grow and as they become toddlers their needs are for constant physical attention, which puts a strain on families that is just underneath. It has been my experience that this sometimes helps to make these families disintegrate.

When you are looking at these issues today, I would like you to really think about the human cost. We know about the dollar cost. We have had that shoved down our throats for a very long time. But could you please look at the human cost, because that is what this is all about.

CLARE CORBET—I am a local parent with two children at Dunstan Reserve Child Care Co-op in West Brunswick. There are three things I would like to say and which I would like you to take into consideration today: one is that I am sure everybody else here is very grateful for the opportunity to speak face to face with people in your position. It is a rare opportunity.

However, the lead time was appalling. I happened to walk into my local member's office to do some photocopying for my creche on Thursday. He had just received the fax about today's gathering. That left part of Thursday, Friday, the weekend and Monday to notify people. It is an incredibly short time for parents to get organised and for community centres to get notices out to all their parents. If there had been a week's notice we would have had a larger group of people and a wider cross-section of people. It is great that everybody is here today but we really needed more lead time. That is just a little note for the future.

My second point is that I am a parent who is receiving Childcare Assistance for my fees at West Brunswick. As everybody knows, fees have gone up quite radically and in quite large steps over the last year or so. That is difficult for everybody; it is especially difficult for people on Childcare Assistance because the steps that the fees go up in are not graded according to income. There is a flat amount that the fees go up each time they have to go up. So the proportion of extra fees that I am paying as a parent receiving assistance is really quite high. Everybody's fees have gone up by \$1 a day. I have two children in care twice a week so that is \$4 extra a week. That is a much greater proportion of my overall fee than it would be for somebody else on a larger fee. A dollar a day does not sound much but when you look at it in terms of the proportion of what people are actually paying in their fees it is an enormous amount for people on Childcare Assistance. It is a big amount for anybody. That is a really important detail to take into consideration when we are talking about fee rises.

The third thing is that I am really concerned about the big picture stuff that is happening in an area like Moreland. We are an inner city area that was relatively well supplied; we were not oversupplied and we needed more child care centres in this area. But when Childcare Assistance was extended to the private sector there was a flood of development of private child care centres in this area. We needed a few more child care centres and if they are of good quality that is fine. But what has happened is that we have had a massive flood of child care centres. We have now got double the number of child care centres in this area that we had five years ago. Not one of them is doing well. What we desperately need in a situation where there is going to be a mixed economy of private and public child care is some kind of real planning mandate at local government level or at state government level. It seems to me that there is no real planning mandate.

I know there have been restrictions on Childcare Assistance offered to the private sector, which have limited them to a certain extent, but the gate is already open in an area like Moreland. We now have a situation where no one centre is really doing any good. I do not know this but I would be sure that the private sector is limping as badly as the community sector is here.

In a mixed economy we need more planning controls so that there is real provision for the amount that is needed in the area. This would obviously be completely different in different areas. In the new housing development areas there would be an enormous need and centres would probably be doing very well and have long waiting lists. But in inner city areas where there is already a medium supply much tighter controls were needed on the development of new centres. That is something that really needs to be taken into consideration in the future as well. That is all I have to say.

SUSIE DUNCAN—I use child care for respite care. This is quite critical for me and I am sure for a lot of parents. It is hard being with a child 24 hours a day, every day of the week. In my case my parents and parents-in-law are in the country so we do not have any family available. Most of my friends are fully occupied with family or work. For the mental health of our community it is important that that respite care is offered. Because I do not have an income—I am reliant on my partner's income—we really have to economise to be able to afford that—more so for families other than ours; we do have a professional income.

My second point is that I do contribute quite a lot to our community. I do a lot of conservation work as an unpaid person. I have been doing that for years. I have also had paid work. At this time it is important to me to be available to my child at all times but also to be able to have the flexibility, when possible, to contribute in that voluntary capacity.

It should not be underestimated how important that is to our community. People are prepared to work and provide charitable and other input to the wellbeing of our community. It seems that we only think in terms of going out to earn a wage. But there are other purposes for which people need child care. I think it should be made available as openly and as cheaply as possible to everyone.

LINDA DAVISON—I am the coordinator of a parent managed centre in South Melbourne. I want to talk about some financial issues. When community based services lost their operational subsidy in the budget two years ago the government in its generosity said, 'We will give you a grant of \$3,000 to employ independent consultants to find where all the fat is in your organisation—where the extra money is that really is there—and then you will not need the \$40,000 operational subsidy that we have been giving you.' So in good faith we took that \$3,000 and got some independent consultants to come and have a good look at our organisation.

Those consultants did a very thorough job. But, do you know, they could not find anywhere where we could make substantial savings. The reason they could not is that well over 80 per cent of our costs are in staff salaries. We are bound by regulations that say we must have this number of staff for this number of children. The only savings that our consultants could actually suggest to us were savings that quite clearly were going to flatly impact on the quality of care that we were able to offer. Our centre took a conscious decision that we were not prepared to do that; we were not prepared to compromise quality of care. We are not talking the Ritz here; we are just talking good quality child care.

We did very well during the last financial year, comparatively. We met our budget. It was a tight budget. We had to increase our fees significantly. We did. It was hard going. We did the best we could to protect our low income families, and we have all worked really hard this year. I have just been preparing the paperwork for our budget for the next financial year. We met our budget. We did not come in with a loss other than what we had planned for. But we will have to increase our fees again next year. The reason is just to meet our obligations. There are increases in superannuation and Workcover. There will be increases in staff salaries of a very small amount.

Child care workers are some of the lowest paid workers in our community—for one of the most responsible jobs in our community. It just flabbergasts me that we talk about how

important our children are but we pay the people who look after our children a pittance. My most senior child care workers, who have nowhere else to go under the awards system—there are no further increments other than the CPI increases—earn less than \$28,000 a year. These are people who have done three years and more training, who have ongoing training and who have the care and responsibility for up to 15 children under five in their rooms. It is an exhausting, draining and emotionally taxing job and we pay them less than \$28,000 a year. That is my most senior staff. Let us not talk about my junior staff because it just does not even bear looking at.

So we will be increasing our fees again in the next financial year and it is not to provide luxuries. It is not to provide me with a company car or my staff with extra perks. It is to meet our legal obligations. Unless the government hears that and recognises that there are real costs there and that they have a responsibility to the families and children in our society then we are going to see the demise of quality child care. It is tragic that parents are being forced to choose between quality and cost—that they are being asked to think, ‘Maybe I should send my child to another child care centre,’ or ‘Maybe I should ask the lady around the corner if she can mind him because that will save me money that I need to save.’ That is really all I have to say.

MARDI HATHERELL—I am from North Melbourne. I am a union official for the principal child care union in Victoria and Australia. The geographical area I work in is the north and west of Victoria, which has been absolutely belted severely by the government budget cuts. In my area, there are approximately 20 child care centres that have closed.

I have had the wonderful pleasure of sitting with staff in tears and parents in tears—staff in tears because they have lost their jobs. The chances of re-employment in the industry are not good because the industry is in crisis: centres are closing. Parents are in tears because they do not know where they will get child care that they can afford—and note the word ‘afford’. A lot of parents in the north and west of Victoria and in the Melbourne suburbs cannot even afford child care with full fee relief. With full fee relief, parents still cannot afford care. That is an absolute disgrace.

Disadvantaged areas are doubly disadvantaged, and nobody seems to care anymore. Where are the children going to be put? They will be locked up in flats alone, or left with Mrs So-and-so down the road, and nobody will have checked out her credentials to see whether she is safe or not.

Child care workers, as somebody already said, are extremely poorly paid, yet their responsibility is humungous. I think one of the saddest things about it all is that parents are stressed—and staff are stressed. If you go back, about five years ago the government recommended that the ideal size of a child care centre was 35 places, and that is what community based child care centres were built to—35 places. They are the centres now that are no longer viable with these budget cuts. They are just closing. Centres of 100 places for 100 children might be viable but, when you get centres that big, you have to run them by the clock. To run them by the clock means that individual care for children has just gone out the window. It can no longer exist.

Parents are not being given a choice on child care. There is no choice. It comes down to what they can afford, and most parents just simply cannot afford it.

I am speaking today on behalf of staff members in centres that just could not afford to replace a staff member to allow one of their staff members to come here today to tell you that their centres are in crisis. There are lots of centres in the north-west that are barely hanging on by their nails to survive. They will close. There will be more closures unless the government makes some changes. When there is the sudden withdrawal of operational grants from child care centres, and that could be \$35,000 from a centre, it will take one hell of a lot of lamington drives to replace that type of money. That may be cynical, but it happens to be the truth. They are working-class people, and I think they deserve a hell of a lot better. Thank you.

LUCY LOPRETE—I am from the Anne Sgro Children's Centre. I have actually come late today because I had no-one to leave my children with. I have had my little one sick, so thank goodness I was able to put him in child care or I could not be here. That is one of the things.

I am very concerned about all these child care cuts that are happening. I have been at my child care centre for seven years. My daughter Katrina started there when she was 18 months old. I have seen a lot of cuts in child care, and I have been five years as president there at the child care centre.

I have been fighting hard to ensure that the children of the future get a fair go. These cuts mean they are not going to get a fair go. They are not going to have a secure start in life because parents will not be able to afford child care. When I was growing up, both my parents had to work hard. Child care was not available as it is now. When I was eight years old and my sister was 10 years old we had to look after our four little brothers and sisters—and one was still in nappies—because we could not afford child care.

I have four children. I had my oldest daughter, who is now 26, in child care because I had to work. Then I became a single parent. The waiting list for child care then was very long. She had a secure environment going to child care. My youngest son, who is four, has only got one more year of child care and then he goes to school. What about the children of the future? I doubt it. Parents need to go to work because the government has made it very hard for a lot of parents who have got mortgages.

A lot of families that come to our centre have cut down the number of days now because they have been put on casual work or they have been put on contract. They have not been able to get secure work. They have cut down the number of days or taken their children out of child care. They cannot afford child care. They are forcing their parents, grandparents, relatives and people who they don't even know to mind their children because child care is just not affordable now. But it is not a luxury; it is essential.

I have written a lot of letters. I have asked politicians to come and have a look at our community based centres. There are more in Victoria than there are in other places in Australia. Why can't they come and have a look and see how they are run? Our children are happy in our child care centres. I have written a lot of letters because I do not want to see

child care go back to what it was like in the 1960s—and that is what is happening now with all the cuts that the government is making.

Our children are our precious possessions; they are our jewels. But, without the help of the government in giving us affordable child care so we can work and make a better life for our children, what is the point? I am sorry, but it is going back to the 1960s. Child care is going backwards. When the first immigrants came to Australia they had nowhere to leave them. They did not know what child care and things like that were.

This area is a low income area. We need our child care centres. Child care centres are closing down. At our child care centre, if we lose more numbers we will have to let staff go. We do not want to let our staff go, but we would have to do that. We have already made a lot of cutbacks. For example, I am on the fundraising committee as well. Just to make more funds available to buy equipment or stuff like that, I put on a playschool concert in Coburg and it took three months of hard work. What for? For \$1,000 for our child care centre.

I do not think parents should be put in a position that not only do they have to manage the centre, but they have to go out fundraising and spend so little time with their families so they can keep the fees at an affordable price. I do not think it is fair at all. We pay fees like everybody else. We just cannot afford what is happening at the moment. People are insecure in their jobs; people are insecure with child care as well. Our children need the best. They need the best, and taking them out of child care is not right; it is not on. Thank you.

ANN YOUNG—I am from ACCCA, Australian Child Care Centres Association, which is predominantly private child care. Page 23 of the Brotherhood of St Laurence report notes that there was a massive drop in fees when the private sector came on board on fee assistance for their parents. That should tell you something. I always find it very difficult to understand how some centres cannot operate without operational subsidy. The private sector has been doing this ad infinitum, with many more costs than are attached to the community sector, which they did not have to pay.

We had bank loans and fees to pay back. We did not, at that stage, ever think of fundraising. We did not have anything like that. Our fees, when you go back over history, were quite often lower—certainly, if they were not, they were on a par. We did not have the benefit of the government's operational subsidy of \$35,000 and up to \$50,000 per annum. We need to ask where that money went and what happened to it. I need to know if that has gone through to the children. I have great difficulty in finding that out.

We are all governed by the same regulations. We are all governed out of the same department and we provide an excellent service. If we did not—our parents are not stupid: they would march; they would go elsewhere. We have to look at what is creating a cost here. Are we creating a Rolls Royce situation where child care is marvellous but no-one can afford it? Why offer the very best of everything that no-one can afford? I think the catch phrase is affordable, available, quality child care. The quality is defined. There are regulations and what have you that put a quality definition. We all need to employ qualified staff, supposed to know what they are doing.

We all operate good centres. If you do not operate a good centre, and you have spent \$300,000 or \$400,000 or \$500,000 or, in many cases, up to \$1 million, to go into this business, you would be pretty foolish—I would say—not to operate a good business and not to give service to your clients. Your clients are the parents and their children are there to be looked after.

It is all very pie in the sky, motherhood statements that no-one can look after your child like community based child care and that the government should pay. I think we are all adult enough to know that the government cannot pay for everything. It is time we stood up now and decided what we are responsible for. You only have to look through the reports. The NACBCS report will tell you of the large percentage of parents who have left formalised child care to go into informal—whatever that might be—child care. They are leaving it because it is too expensive.

It is too expensive because they are asking too much of the people providing that service. You can only go so far. You can give quality: if you want a good quality Holden car, that is great; if you want a Rolls Royce, pay for it. We have to get our snouts out of the trough and get on with child care.

TRICIA BLAKE—I think I will let other people address the issues that that lady raised and I will continue with what I wanted to say. My daughter goes to community based child care part time. I have to work part time because my husband is ill and I am facing the prospect of having to go to full-time work. It is an excellent, wonderful child care centre. I looked for a long time to find one that I would be happy with. The point I want to make is that I am happy with my centre and I feel that my centre is as good as it is because it is small.

My daughter is, I think, a fairly typical young child. We are not talking about teenagers here; we are talking about very young children. She cannot cope in an environment full of 100 other children or even 50 other children. The reason I chose my centre was that it was small. It does not matter if you have four carers for 60 children; that, by nature, has much more noise and much more activity and is more distressing for many children than having one carer with 10 children. Why else do you think people initially suggested that the child care centres should be around 35? That was the number that was going to perhaps provide a proper environment for the children to be able to cope—and it is not just a matter of ratio.

MICHELLE QUIGLEY—I am here both on my own behalf and on behalf of the Australian Greek Welfare Association Child Care Centre.

I would like to start by answering something that someone else commented upon. My child currently goes to the Australian Greek Welfare Association Child Care Centre in Melbourne. This is a community based centre set up in 1977 when it was recognised that there was a desperate need for child care for the recent immigrants to our locality as a replacement for the backyard and family sorts of care that were happening at that time. I have been fortunate that my child has been there for the last couple of years.

Just recently, I have also started working in Sydney some of the time, and I have had experience of the private system there. Yesterday I had my child in Sydney with me at a

private centre. It cost me \$60 for the day. When I turned up there, there was one worker. She told me it was her first day. She was a very nice girl. She looked after 20 children—three- and four-year-olds. If that experience is typical of private child care, I think I would very much like my child to stay in the community based centre that he is in.

The impact of the cuts in our centre has certainly led to a return to the backyard operations of the seventies which were the precipitator to set up our centre in the first place. It has caused an underutilisation of the centre, with at least 20 families—we have about 50 places at our centre—either reducing care or taking their children out of the care of that centre.

It has an impact on the morale of the staff, because they fear the loss of their jobs or else they have been put on casual work. The cuts in staff have also meant cuts in programs. We run a bilingual program at our centre, and also—given the diversity of cultures in our locality—I am proud to say we celebrate every national day and every religious festival that you could possibly think of.

There is also loss of opportunity for our children. Those children who have left or those with a reduced number of hours at the centre are missing out on very good quality child care and a range of experiences that they are not getting in the alternative arrangements that have been made for them.

And it also has an impact on the other children when a child leaves the centre. They want to know where their friend has gone—‘Why isn’t that child coming every day?’ When they do return—perhaps on a temporary basis—it is difficult to try to explain to the children, ‘Well, no, this child does not come any more because . . .’ or ‘He is going to be looked after by the lady down the road.’

It has an impact on the parents themselves—particularly in our centre where a number of parents on lower incomes are struggling to meet the higher fees; and also the increased demands, both of time and of fundraising—as someone mentioned before—have become quite significant. There is always a raffle or a chocolate drive or some other means of trying to raise those extra few hundred dollars of money, because all of the funds are going to meeting just day-to-day operational expenses. There is not any money for what are almost becoming luxuries—like maintenance or upgrading of the play areas—requiring us to rely on donations of time, effort or money.

I think the impact is greatest on families who do not have the resources, both financial and personal, and it certainly is the experience in our centre. Thank you.

ROSEMARY BRAUT—I am from Virginia Park Child Care Centre, which is a community based centre in East Bentleigh. I just wanted to mention a couple of things. My first point is that, since the operational funding was withdrawn, our centre is facing low enrolments. At the moment, we are financially viable but, in 12 to 18 months, we do not know if that is going to be the case, which means that we could be looking at a forced closure. My concern is what happens to the children. Do they go to unregulated care? Do they go to backyard care? Where is the quality there and how can that quality be maintained?

My second point concerns the options to working women. I am a mother who uses child care. As that lady said before, she could not take that job because the cost of her child care was going to be more than her income. I have a concern with that option being withdrawn for women. They do not have a choice anymore in terms of going to work or staying at home.

Just quickly, I wanted to bring up a point that Mrs Young made. There has always been the issue of the private sector saying, 'We have survived without the operational subsidy for so many years. Why can't you?' I can tell you that my centre is in the same area as hers. I have a number of enrolments from people coming from the private sector who are saying, 'I am not happy with the care they are offering. I want to have a choice in the way my child is brought up and a choice in the management of this centre.' I have a large proportion of children coming from the private sector to my centre for that very reason. They are offering a service, but it cannot be the same as a community based centre. The parents who we have received from private sector have been far happier with our service because of that say they have in the management decisions of their children. Thank you.

COLLEEN BUNNY—I am from Friendship Square Child Care Centre in Cheltenham, which is also a community based 35-place centre. I would just like to go on with Rosemary's point about working women. Fortunately, I am in an area which is fairly middle class. Our fees did rise, but parents are just managing to pay these fees. If they rise again, they will not be able to pay these fees.

My concern is that it is also taking away from women. Women in our area are middle class. They are usually career minded women. They want to continue with their career and they also want to be a mum. At the moment, they have the option. We are giving them good quality child care. It is at a more expensive rate, but it is being taken away from them.

What we need to look at is keeping it affordable, keeping it so women have a choice. They have a choice; they want to work. They want to be on a committee. They want to be able to have a say in how their children's day runs, from what they have to eat to what their programs are about. In community based, they have that choice, but the way the fees are going, they are having that taken away from them.

In a family, when the situation gets that the money is scarce, who is the first one to give up work? Not the men; it is the women who have to give up their careers. If they stay out of the work force and stay home with their children, they are behind the eight ball. As you very professional people up there would know, if you are a professional person out of the work force for any more than six months, you are behind the eight ball; you have missed it. Therefore, women have to stay in the work force if they want to continue their career, but they cannot do that if you are not going to offer them affordable child care and a choice of how they want their child care. That is the point I want to make and I hope you take it on board.

PAULINE SMIT—I understand this is a public forum for the whole community and not just for the child care industry and those who use it. It was very pleasing to find in the committee's terms of reference that there was reference to those children who are not cared for in paid care. Those children number 77 per cent of Australia's children, we understand,

from the EPAC Childcare Taskforce's response. I think in this public forum it would be good to have an opportunity to speak about the care that is provided in an unpaid capacity.

I am not talking about what is slightly referred to as backyard care. I am not talking about some person caring for 20 children. Most informal care—which was also rather slightly referred to by another speaker—is in fact family care. It is care provided by the other parent, older siblings, grandmothers, et cetera. They are the people who are most excluded, to some degree, from any Childcare Assistance.

The plea I really want to make to the committee today is more to do with those families where one parent works full time and the other works a few hours a week. This is a very common model of family in Australia. Where the children are at home with the other parent while the mother perhaps stacks shelves at the supermarket two nights a week, there is no assistance of any kind at all. They cannot get the parenting allowance because the mother's income excludes them from that because it is so tightly means tested. They do not access any kind of Childcare Assistance because they are not using paid child care, yet they may be quite a poor family. It could be a tram driver married to a shelf stacker.

Meanwhile, a barrister married to a doctor—maybe even a senator—using nanny-style child care at home can be claiming \$62 a week back on their costs from the government through the child care cash rebate, which has no means test at all. There is a huge inequity here between families and it is based on the type of child care they choose. It is not based on how wealthy they are. I think that whole matter needs to be reviewed because there is a very basic injustice being perpetrated here when one family, because of its choice of child care, is told, 'You get nothing,' while another family can be claiming large amounts of money per week when they have a very large income. I really do plead with the committee to examine that area of inequity.

The mother who chooses to be out of the paid work force for a few years in order to care for her child or children carries significant burdens. If you are in paid work, you get a tax-free threshold of \$5,400 a year. If you are in the unpaid work force caring for your family, your tax-free threshold is \$2,500 a year. Why? You are a worker too. Your clothes cost the same as the paid worker, as does your food and your petrol. You have the same living costs, yet you are told that you can only have a tax-free threshold of \$2,500 a year.

Even for those families who are in that situation, when the youngest child goes to school, that tax-free threshold is removed from them. If you are in paid work, your tax-free threshold is not removed from you when your youngest child goes to school—another discrimination. The child care cash rebate increases if you have a second child in care. The basic parenting allowance, which mothers caring for their families at home get, does not increase if you are caring for a second child—another discrimination. There is no means test at all on the child care cash rebate, but there is a very stringent means test on a mother's income.

It does not matter how high your income is, you can make some claim on the child care cash rebate, such as 20 per cent of your expenditure over the basic contribution. The maximum amount you can get on your parenting allowance is \$31 a week. It does not matter how poor you are, that is the most you can get. The maximum amount you can get on the

child care cash rebate is \$62 a week, no matter how rich you are. I would plead with the committee to examine these inequities to see if you agree with what I am saying for a start, and, if so, how they could be addressed. Thank you very much.

SOULA BENNETT—I currently have one child at Anne Sgro Children's Centre. It is a community based children's centre. Like all the other speakers here, I think it is a fairly emotive issue because we are talking about the most vulnerable members of our society, the people who cannot speak up for themselves. They rely on their parents and also their community to support them and to speak for them. My son was able to go through the Anne Sgro Children's Centre with minimal cuts. It was fantastic. My daughter is currently attending the centre. I can see the changes that these cuts have brought about. We have to withdraw my daughter one day a week because we cannot afford to keep her there. She is very sad about it and so are we because it is like a family. It is a community and she wants to be with these people but we cannot afford to keep her there for that extra day.

A woman mentioned a Rolls Royce type of care. It is ludicrous. We want the best for our kids, and why shouldn't we? She is talking about a type of system she called the family Holden, and it is not even her analogy. But we are talking about a system that is not even a family Holden: it has got no wheels, no engine, no petrol. This is what the government is trying to push forward.

I thank you for holding this forum. I am urging you to take back everything that everyone has said and keep it in consideration. And, please, do not forget the children. We need you to push the message across because they cannot speak for themselves. Thank you.

CHAIR—On behalf of the committee, I would like to thank all speakers for attending and sharing your views with us this morning. As in all debates there is a myriad of views, and the child care issue is no different. Your comments have all been useful and constructive and I am sure there will be some interesting discussions later on in the committee proceedings.

We will now move to a formal hearing, but it is a public hearing and those of you who wish to remain and listen are invited to do so. I ask representatives from the National Association of Community Based Children's Services and the Community Child Care Association of Victoria to come to the front table.

[10.03 a.m.]

FINLAYSON, Ms Heather, Deputy Director, Community Child Care Association of Victoria, 1st Floor, 48 High Street, Northcote, Victoria 3070

HADDOCK, Ms Celia, Director, Community Child Care Association of Victoria, 1st Floor, 48 High Street, Northcote, Victoria 3070

WANNAN, Ms Lynne, Convenor, National Association of Community Based Children's Services, 1st Floor, 48 High Street, Northcote, Victoria 3070

WRIGHT, Mrs Frances, Delegate, National Association of Community Based Children's Services, 1st Floor, 48 High Street, Northcote, Victoria 3070

CHAIR—Welcome. The committee has before it submissions from your organisations. I now invite you to make a short opening statement and at the conclusion of your remarks I will invite members of the committee to put questions to you.

Ms Wannan—Thank you. There are a couple of points that I want to make which are our major concerns with the current pattern of children's services in Australia. The first one relates to affordability, which is a general issue across the entire children's services system, and the second relates to the community management, community ownership model and the risks which it now faces in this new environment.

In relation to affordability, I think it is now without doubt demonstrable that child care is now too expensive for most Australian families. That results from a combination of changes that were brought in, probably going back to 1991 and continuing through in the last two budgets, where cuts to operational funding as well as the freezing of Childcare Assistance have led to an increase in the cost of child care itself, plus an inability of families' wages to keep up with rising costs and reduced Childcare Assistance.

There is a number of surveys that have been coming out in the last couple of days and weeks that I think are of interest to this committee. They relate to general cost of living, using ABS data. We have had Dr Bob Gregory, who has done some work on the ABS data, showing that right now for many families a move to part-time work, particularly for women, is placing increased pressure on household incomes and is also leading to women choosing not to have children or deferring having children. I think it is speculative at this stage to talk about what is cause and effect, but we would certainly assert that the cost of child care is a contributor to many families having to work part-time and having to take children out of formal child care or not having children at all.

In fact, there is work done by Dr Peter McDonald from the ANU, looking at countries other than Australia, which does draw a link between the lack of publicly funded child care and young women, particularly women with higher education qualifications, either not having children at all, certainly reducing the number of children in households, or deferring having their children until quite late. That issue raises, I suppose, a nexus between women having to choose between careers and having children, and even in Catholic countries like

Italy they are choosing careers over having children. That raises some real risks for the Australian population as a whole and certainly for our nation's economy.

The cost of child care has in fact risen at a higher rate than the CPI, particularly since 1994. That relates mainly to the fact that child care costs are related to wages, and the growth of wages really has outstripped the CPI. The evidence for this is in some material that I will table, and that Community Child Care Victoria will table, that shows you quite graphically that just the straight cost of child care has increased at a greater rate than the CPI. In addition to that, with the freeze on the Childcare Assistance, families have had a greater gap fee to pay, plus they have had the growth in the cost of child care, and that is simply squeezing people out of child care, particularly in the formal setting.

The work that the National Association of Community Based Children's Services has done, in surveys around the country which I will table, indicates that for many families the rising costs have simply forced them into situations which they might not normally have chosen. For some, it is part-time use of care. We do know that some of those children have moved home with a parent who now works part-time and maybe juggles time with a spouse who also works part-time, maybe shiftwork, as a way of alternating care, and maybe not seeing each other much during the week but being able to spend time with their children. For some, that has been the choice.

For others, we believe it is a move to backyard care, to all sorts of arrangements about which most of us know very little because they are not visible. It may be grandparents, and in many cases those grandparents are now too ageing to care for young children. It may be good arrangements that the families are happy with. It may be very poor arrangements which those of us who are concerned about the care and quality of children's upbringing would have much concern about. So affordability is a major issue across the children's services system, forcing children out of the formal child care sector. That is our assertion and we have evidence here to demonstrate that for many families that is the choice they are making.

Secondly, there is the issue of community ownership. One of the major reasons the community owned sector has found it so difficult to survive in the last couple of years in particular is the small size of community based children's services, which were created out of government policy and which involved, in many cases, 35 children or less. In this highly competitive environment, and where the cost of child care are rising, small child care centres are simply not viable.

With the increase in part-time usage, the loss of families from the child care system, we now have, across Australia, underutilisation as a major phenomenon across both the public and the private child care sectors. That means that for small, community based services you can have a very small number of children and you simply cannot operate at a price that families can afford.

We are concerned about the loss of community owned services because we believe, and can demonstrate, that both quality and price have been set by the community based sector. It is interesting that the private sector have increased their fees to much the same level. They are \$1 less according to the department's figures than the community based sector, but they

did not lose the operational subsidy. It is pretty clear that they continue to benchmark against the price of the community owned sector.

When you look at countries like the United States and Britain, where there are no publicly owned or funded children's services, you see low income families having little choice of formal child care. I am talking about minority groups, single parents. Those families are simply not found in formal child care settings in the United States. Those families are in all sorts of backyard arrangements. June Wangman and Fay Pettit from Macquarie University in studying research done in those countries conclude that may well be very harmful for children—not even just not good, but quite harmful. We fear that, without a community based publicly owned sector, Australia will move to that situation where we will not have competition for high-quality care.

We also believe that community ownership is intrinsically valuable for our society in contributing to the development of social capital, social infrastructure and assisting families bond together as part of the community fabric. We are concerned about the loss of that community owned sector. We think it is critically important to the local neighbourhoods and to the Australian community as a whole.

We see the risks that can emerge from the system that we are currently in. More and more families will be unable to afford child care if something is not done about Childcare Assistance. We urge that the ceiling is removed and indexed and that child care becomes affordable again. We are concerned that women, and in particular high-income women, will choose not to have children at all, and that will pose some major risks for our future economy and for Australia as a nation.

We are concerned that the workers in child care will increasingly become part of a very casualised and very low income work force that is even worse than it is now. And we see that already. We see child care centres that will employ people just for two hours in the morning, bring them in and send them home if the children are no longer there. Those workers are getting very low incomes. It produces very poor quality care for children, with constant change of staff and insecurity. We are very concerned that quality is also at risk.

Overall, we see the system heading in a direction which was unintended by the government. We do not believe that the government intended to force low income families out of the work force. We certainly do not believe that the government intends to create barriers to women's employment or to women having children. We do see that, if something is not done to the system, there will be much harm created to both our children's service system and to our nation as it wants to become part of the look-ahead nations in the world.

We urge that the government seriously considers the funding of community enterprises and that it has a look at the new models for community owned services. We believe that there is some funding needed to take the community owned sector into a more competitive environment. It is not a level playing field at the moment while you have community services with too small numbers, some of them in buildings that are not adequate. They cannot extend their buildings to have a greater number of children because a community management model is parent run and you cannot get loans from banks to upgrade yourself.

There are some real problems for the community owned sector in getting onto that level playing field which the government intended to create. There are some real barriers and hurdles. We believe that the government should look at how it can help some of those services become viable community enterprises. We need new models, and the National Association of Community Based Children's Services has been discussing this with the government. We would seek support from the Senate in having funding to new models of community enterprise which can make our community owned sector more viable.

Ms Haddock—Thank you. I will just speak on behalf of community child care, particularly emphasising the Victorian situation.

CHAIR—Before you do that, Ms Haddock, is your association the state branch of the national association?

Ms Haddock—Yes. Our organisation operates the state branch and the secretariat is run from our offices, as are a number of other community groups.

CHAIR—Thank you.

Ms Haddock—Community Child Care of Victoria obviously welcomes the opportunity today to make a presentation to you. We have been very concerned over the last 18 months about a number of trends that have occurred in Victoria that have also occurred nationally. Particularly in Victoria we have seen increasing loss of waiting list numbers. Over half of the services do not have waiting lists. We have seen reduced enrolments across the board, transfers of children to the informal sector from formal child care and service closures. Of the 42 closures that we have seen nationally, 19 of those service closures have been in Victoria.

The major reason for this is that Victoria led the way in the early 1970s with the new services, most of which were 35 places or less, and without an operational subsidy it is very difficult for those services to compete.

From our research, and Lynne has mentioned the national research, what has caused these trends has been, firstly, the general problem for parents being unable to afford child care services due mainly to price increases. Remember, our services are operating on a not for profit basis, so they are not having to accrue an income out of it. Price increases have had to happen due to general staff increases. As Lynne said, staff are not paid high salaries but they are the major part of the budget. Then there is the issue of just providing quality care, and the issue of the inadequacy of the Childcare Assistance system which has been frozen for the last two years.

Secondly, there is the inability of small community owned services to compete, particularly after the loss of the operational subsidy. It is very difficult to find substantial savings in a 35-place centre as compared to an 80-place service.

We are very concerned that the patterns for long day care do not repeat themselves in outside school hours care. The Community Child Care Association of Victoria has a large membership of out of school hours services and we are very concerned that the loss of the

operational subsidy on 27 April may see similar trends in outside school hours care, and particularly the relationship between cost and quality, utilisation, affordability and viability.

We are very concerned about the increase which we have seen in Victoria in single staff out of school hours programs, and that now includes vacation care programs where children are being cared for for up to 12 hours a day with one staff person. We think that is totally unacceptable, and it is because of funding that services have been forced to do that in order to keep open.

The Community Child Care Association of Victoria decided late last year that we needed to provide some additional research to that which was being done throughout the country, particularly with an economic basis. So in November last year we commissioned the Brotherhood of St Laurence to undertake a research study, particularly into affordability, and see how a range of families in different circumstances were faring with their child care fees.

I know the brotherhood will be speaking to you this afternoon but I just wanted to table today for you the brotherhood report that was commissioned by our association. There were nine in-depth case studies of families undertaken. They looked at their child care costs, their percentage of mortgage and rents, their general living expenses and where their child care costs fitted into that.

The brotherhood found that the groups at risk were families on low and fixed income, and families where there was casual and part-time work that had no ability to change that status. You will note in one of the case studies there is a school teacher mentioned. In Victoria now a number of teachers are facing the prospect of casual work. They are employed on a term by term basis with no payment for school holidays and they do not know from term to term where their employment is.

The report also looked at larger families who are in rented accommodation, families with higher health or other needs, and families with a secondary earner who was on a low wage.

The groups particularly affected in terms of not being able to afford child care were families with two or more children, families with high other costs—for example, rent or health costs—sole parents in full-time study, sole parents in part-time low paid work, couples where the second carer was on a low wage, and couples where the secondary earner worked less than half time.

In its Senate submission our association called for, and has been calling for during the last 18 months, two immediate measures. Firstly, it wants to see the ceiling increased on Childcare Assistance to ensure that low and middle income families that are currently not accessing care, or who are being forced out, are able to access good quality formal child care.

Secondly, we have called for assistance for community owned services to enable them to sustain their management model and develop community enterprise models of management where they can include the community development role of the committee of management and keep running not for profit services. Thank you.

CHAIR—Thank you for those comments. We will now go to a question session from the various senators. I might lead off. Both Ms Wannan and Ms Haddock referred to this issue of limitation on the number of places. I think you mentioned 35. It was a recurring theme in the number of written submissions that with the loss of operational subsidies, combined with the current limitation on the number of places, that inhibits the growth of the community sector and its ability to compete with the various other options. Is this a real problem for your organisation, this limit of 35 places or thereabouts?

Ms Wannan—It is a difficult issue in a way because when the Commonwealth first funded children's services and began to fund child care centres, it was government policy that they be small, and generally that was 35 places. In Victoria some of them were much smaller. That is why Victoria has had so many more closures. In Victoria some of them were 30 places or fewer. But that was part of the philosophy of child care being part of the neighbourhood and that small child care centres were much more friendly and much more child focused.

No-one has ever disputed that idea. It would still be the view of most academics that children are far better off in a small environment, that it is not so threatening, rather than being in a centre with 100 or 200 children. Such large centres are not the direction that many academics would ever have taken the concept of children's services.

So our services were small, but what has happened with the private sector coming into child care and running it as a business is that we have moved to the notion that it is more efficient to be at a minimum of 40, 50, 60 or 100 and upwards. It is economically more efficient to run a larger centre because costs are spread over more children and you just have a higher fee income.

CHAIR—For all the obvious reasons.

Ms Wannan—Yes, for all those obvious reasons. It is our contention that while the government said they were creating a level playing field, they were not doing so, because the community based sector was intrinsically disadvantaged by government policy. That is how come they are so small. So we are in the bind now of saying that to be competitive we too have to accept 60, 100 or 200 children. However, I would not say that was the preferred direction for people who are overly concerned about the quality of care for young children.

Ms Haddock—To become a 60-place centre or 80-place centre, if the community of management decided that they wanted to do that and there was a need in the area for child care, currently they cannot access loans from banks like other proprietors to extend their building. In order to extend a centre, if they had their own home they would have to put that up as collateral for the loan. A number of our members have attempted to take out loans on behalf of their associations but they have been unsuccessful.

Ms Wannan—We are not saying that we cannot survive as a sector. We see it as a barrier, but because it was government policy in the first place to have small centres we believe some assistance in making the transition to something different would be helpful. That is why we are now saying, 'Let's have a different look at community management. Let's look at the notion of community enterprises, running a business that is owned by the

community, accountable to the community, but perhaps be a diverse business.’ It may be delivering both child care and aged care and a credit union. It may involve a range of things which are community owned, publicly accountable and community managed systems, but you do have to have a better notion now of how to make that community service into an economically viable business. We believe we need some government assistance to make the transition.

CHAIR—You mean government assistance in the transition process if the current government maintains the abolition of the operational subsidy. Is that correct?

Ms Wannan—Yes. We have not called for the reinstatement of that because, simply, we do not think the government is going to do that. But we do believe that you could have transition funding which was quite different. It may be that it is not to every community based centre, as an individual enterprise; it may be different models. Some models we have already. We have services that have amalgamated; we have a whole range of options in there. We think there are some more innovative ways to approach community enterprise while retaining the kinds of core principles of contributing to community infrastructure and providing quality care for children.

CHAIR—You hit upon one problem there in terms of incorporated associations or unincorporated associations trying to access capital to develop their enterprise. Are there other legal, financial or legislative problems that your sector faces in terms of expansion?

Ms Wannan—No.

CHAIR—Access to capital and, essentially, sound management practices are the core problems?

Ms Wannan—We do not think we have a problem with sound management practices. We do not believe that is the general problem. The general problem is that you are simply too small to have the income to meet the costs that you have to meet. But our problem in terms of getting finance is that it is a bunch of people, just volunteer parents, and unless they all mortgage their homes they cannot get a loan from traditional lenders, and it is a huge risk. As we know when we look at the population of child care users, it is made up of many families on part-time incomes and low incomes, and the various cost of living studies that have been reported lately indicate that those families would be completely out of their minds if they mortgaged their homes for their community service.

Senator NEAL—I noticed in the submission you have actually recommended that a capital pool be provided to allow community based centres to increase their size, but in your discussions with Senator Bishop you actually started talking about the availability of a loan fund rather than direct grants.

Ms Wannan—No, we are thinking of a combination. Ideally, we would like some grants to start with, start-up capital basically, to kick-start the new community enterprises. That is what is needed. As an association—we are a national organisation with our branches around the country—we are really happy to get into any conversation with the government about how that might best be undertaken.

The notion of lending some of that start-up capital to some of the community organisations would not be very realistic because there may be some lead time before we get into a position where loans like that could be repaid. But there will be some shake-up in the industry, and I suppose in the future there may be some innovative ways of doing that. We are saying that you cannot get a loan at the moment because you do not have anything to get your loan against, so we are looking for start-up grants of some sort, investments. What we have called for is a community enterprise investment fund.

Senator NEAL—There must be some community based centres that, even at the sizes they are at present, are quite viable for whatever reasons—for example, the fact that they are in particular sectors where parents can afford the fees. Do you have any idea what proportion of community based centres are viable in their present form and how many would need to look at some sort of restructuring or increasing of size?

Ms Haddock—You are correct: there are a number of community owned centres that are very viable and even some 35 play centres that actually are viable. They are the ones that are constantly full, that still have the waiting lists and really are full for all periods of the day every day, and of course, yes, people can afford to use them. Those services in areas where people cannot afford to use them fall into difficulty. All those areas where people have dropped out—they might be purchasing two or three days in a formal centre and using other arrangements for the other two days—are having difficulty filling their spaces.

In terms of Victoria, we would still have a good 50 per cent of services that are quite viable, but in fact that is right now. We have to get through the next two years as well. In terms of strengthening up the model, retaining the community sector, we believe the community enterprise model is the better way to go, and that involves movement of services. Yes, 35 play centres are fine now, but will they be in two years? If that service wants to expand for viability reasons, then we would like to encourage them to do that.

Senator NEAL—There was some discussion in your paper about further support for community based centres through some sort of assistance with the management committee. A figure of \$10,000 was mentioned there. Can you give me any further information about the basis of that and how you calculated that assistance as being the appropriate level?

Ms Wannan—What we did nationally was try to get a figure on what it actually costs to run a community management committee, basically. That particular figure was based on a viable centre in Tasmania. It has 80 children and runs a diverse range of programs. The coordinator of that particular centre kept records, for one month, of everything that was done with the committee. It was not anything to do with day-to-day operation. It was more to do with review of the budget or checking some extraordinary expenditures they might have had to make—things which were the legitimate involvement of a management structure. Basically that costed out, for her salary, at about \$10,000 a year. That is where we got that figure from.

We are not saying that the Commonwealth should fund each centre for that \$10,000. We were more trying to indicate that there is a cost in having a management committee which is different from running the service with a proprietor. We are not saying that the private sector does not also have that cost, but the proprietor who is the owner would do a lot of those

activities on their own, perhaps at home at night. They do that because it is their business, they see that as an investment and they expect some financial return further down the track when they perhaps sell.

Ms Haddock—The decision making processes for the community owned model to work are longer in terms of making those decisions than they would be in a single proprietor owned service because there are not people that you need to consult with, et cetera. We have also looked at that here in Victoria in terms of how much it actually costs to support that management structure. In the future, if we had boards operating a number of services, we would imagine that that cost would not be different, depending on how many services they manage, but that in fact that decision making process has to happen and it needs to be resourced.

Senator NEAL—So what you are arguing is that there is an additional cost in management through the community system of management?

Ms Haddock—Yes.

Senator NEAL—And that there is some additional value that is provided by that community management committee which the community should fund.

Ms Haddock—Yes.

Senator NEAL—One of the submissions said there had been 42 closures and another said 44 closures in the community sector over the last 12 months. Is that correct?

Ms Haddock—Eighteen months.

Senator NEAL—Do you have any estimate of the number of centres that might close in the coming 12 months?

Ms Wannan—It is really hard to know—

Senator NEAL—I know, because no-one wants to say, 'We are closing tomorrow.'

Ms Wannan—We know that we can get a call from one of our members to say that they are going to close tomorrow because once they get into financial difficulty, if they do not close, they are basically trading in debt. If they are trading in debt and if they cannot meet that debt, then the parents on that management committee will end up in court. It is such a quick thing. If your numbers are down by one, every time you have one vacancy, you are accumulating a debt of the full fee.

Let us say your fee is \$170 and you are down one child for three weeks: you are accumulating a debt of \$170 each week. What if you are down by more than that, say, by 10 children? It can happen overnight. You can suddenly have families withdrawn, particularly now with the volatility in our labour force. If parents lose employment and take their children out of care, that centre goes into debt immediately. We expect that that will happen. Now that services are operating at such tight margins, they cannot survive. You would be

mad to stay open. So I do not know; I would love to think it was not going to happen, but I do not think we have reached a situation of some stability in our children's services system yet.

Ms Haddock—We also understand that the closures in the private sector are closely matched to the numbers in the community owned sector. I am sure the Department of Health and Family Services could provide that information for you.

Senator NEAL—We will try and get that from them.

Ms Wannan—It is very hard to know what happens in the private sector because some of them have gone into receivership. They keep trading because the banks do not want to close on them and lose the loans. Some of them are trading in the hands of receivers, but we do not know the numbers. There are lots and lots of private services up for sale. Some of those may still be operating while the owners are trying to trade out and get out.

Senator NEAL—I noticed the NACBCS's submission suggests that the community based centres should be quarantined in terms of their numbers as part of the planning system. I was not aware that, the way the present planning system is operating, there was not provision being made for community based centres. Is that what your submission is largely saying?

Ms Wannan—We are wanting to hang on to the community based places. We are really hoping that with some expansion or new models of provision we can retain those places as not for profit, community owned. That is our intention. Certainly, at the moment, that is the position we are being told the government is sticking with. But we are really wanting to reassert that we do not want the community owned sector to be further diminished.

Senator NEAL—Have any of the new 14,000 places that are going to be available over the next two years been allocated as community based centres?

Ms Wannan—They can be anywhere because there is no such thing as public child care any more. The government views all child care services as private. So the distinction becomes one of not for profit private and private profit. A community owned sector could get new places or a new management committee could get new places. But we then end up with that same barrier that, if you are a community owned organisation, you cannot get a loan to provide the capital. You need a building to take up those places, so we have another disadvantage in a not so level playing field.

Senator NEAL—In theory you can access it, but because you do not have the capital, you cannot in reality.

Ms Wannan—That is right.

Senator SYNON—Ms Wannan, I follow on from some comments that Senator Neal was making. Can you tell me what happens to an accrued debt in community centres when they close?

Ms Wannan—I cannot exactly because we are still in the process of knowing the true outcome of that. I do not know that it is very likely that the Commonwealth will meet that accrued debt. We do know that some presidents of management committees have been pursued personally by creditors. Theoretically, the parents on the management committee could be asked to pay whatever amount of money was accrued as a debt. But there is some uncertainty about, say, the building. If the building they are in can be sold, what happens to the funds for that? I think that is a case by case situation. At the moment, sometimes the buildings are owned by local government, sometimes they are owned by a church and sometimes the building might go back directly to the Commonwealth or the state. They are very complicated arrangements.

Senator SYNON—Have you been aware of situations where management committee parents have been found liable for accrued debts?

Ms Haddock—We have been aware of situations where creditors are currently in the process of attempting to reclaim debts from individual committees of management. They are legal cases currently in progress so there is no outcome. Our legal advice is that, at the end of the day, the creditors can legally attempt to reclaim the money from the individuals.

Senator SYNON—Ms Wannan, I would like to pursue this issue of the disparity between private and community based providers and get some of your thoughts on that. My understanding is that only 22.6 per cent of low income people have their children in community based child care and that 77.4 per cent of low income people have their children in private provider care.

The private sector has never had operational subsidies and, since they have been removed from community based providers, they have increased their fees by about \$14—compared to \$1 a week by the private providers—and, prior to the 1997-98 budget, community based providers were only \$2 cheaper on average than private providers despite a \$20 a week subsidy. Given all that, I have some issues around equity for the 77.4 per cent of low income people who have their children in private child care. The fees since then seem to have gone out of control. For instance, in the period 1991 to 1997 child care fees increased by 48 per cent, which is four times the CPI at 12 per cent. Do you have any thoughts on some mechanisms to control price increases to protect low income families that have their children in either private or community child care?

Ms Wannan—You have raised a zillion issues in that. To start with, the reason that there are more families in the private sector than in the community based sector is that there are more private child care services. That is pretty straightforward.

Senator SYNON—Of course.

Ms Wannan—There is also an issue of who the client population is for the child care services. The government had, as the core of its children's services policy—and one does not have to agree with this—that priority should be given to families in the paid work force. That has been the case for the community based sector, but not necessarily the case in the private sector.

A federal Auditor-General's report which was done some years ago—in 1994, I think—found that there was a higher proportion of non-work force related child care in the private sector. You would expect that those families would have a lower income and would be eligible for a higher proportion of Childcare Assistance. The difference relates to both the numbers of places in the private sector and to the proportion of the Childcare Assistance received by that sector rather than to the number of individual families. You have a lot of families not in the paid work force who are using the private sector and more so than in the community based sector. That is part of the answer.

On the fee increase in the private sector, I think that you are wrong and we can check that. I do not think it has been \$1 compared to \$48.

Senator SYNON—I understand it has been \$1 on average.

Ms Wannan—The difference between the two sectors is \$1 and maybe you just got the figures confused.

Senator SYNON—I do not think so.

Ms Wannan—Generally the community based sector is about \$1 more expensive. That is what they say now.

Senator SYNON—The community based sector is?

Ms Wannan—It is about \$1 more expensive now than used to be the case. I suggested earlier that the private sector uses the community based sector as a bit of a benchmark on price. The community based sector, as we have said, is smaller, so the costs are going to be greater per family than would be the case in the private sector. They are not all larger, but in many cases they are.

You would certainly expect that per child the fee may be higher in a centre with a smaller number of children than it would be in a centre with a large number of children. That would be one reason.

The community based sector does not make a profit. It does not needlessly raise fees. It is interesting that there is some suggestion that they do so because it is not in their interests to squeeze families out by making fees too high. They are not making a profit. They are really trying to operate to break even, so I cannot see why they would increase fees higher than they needed to.

You would be aware that, since the Commonwealth removed the operational funding, there have been the efficiency audits carried out. Most of the community based sector have certainly in that time done a number of things, including reducing staffing and changing some of the ways in which they operate. There is some dispute about whether that is leading to a reduced quality of care.

If you take Victoria, our child care to children ratios are very poor, particularly in the older age groups. Where community based centres were choosing to have higher than

required numbers of staffing, they are frequently now having to cut that staffing back to the minimum regulations, which many of us are concerned about in the first place.

Senator SYNON—Do you think that the minimum regulations do not afford proper care?

Ms Wannan—Yes I do think that, and I do not think accreditation nationally does anything more than ensure a minimum level of quality also. In Victoria, we have just had a review of quality done by the Victorian Auditor-General—I was on that advisory panel, so I am happy to declare my involvement in that. The Victorian Auditor-General has, in fact, found that unfortunately the quality of care in the children's services provided in this state is inadequate. That is across the sector: kindergartens, private child care and our community based sector; and we certainly suggest that there may be some squeezing of costs that is leading to indicators of reduced quality. So that is an issue.

Senator SYNON—You do not necessarily feel that we need any mechanism to control fees? You think that market forces will prevail in a community child care centre. They have got no incentive to do so.

Ms Wannan—But there are two issues we are talking about. One is the actual cost of providing the care. I think you would find that both the private sector and the community based sector would say now that the cost of care reflects the cost of care; that you cannot really reduce that. You could not reduce it without breaching regulations or failing to meet accreditation, so I would say that the cost of care, which is the full fee, is as tight as it can get. The issue becomes one of whether or not people can afford it.

Right now we are saying that people cannot afford it. The cost of care is what it is; families' incomes are too low; families cannot afford it. If the government is committed to families having access to child care, particularly low income families, the Childcare Assistance needs review because it is failing to keep up with the pace of cost of care.

Senator SYNON—You know that the government has increased child care funding?

Ms Wannan—Overall, there are more places now than there were, but at the individual Childcare Assistance subsidy, you would find—you can certainly see this; the Commonwealth has this data as well, but it is illustrated in the Brotherhood of St Laurence study—that Childcare Assistance per family has actually reduced because it was frozen. That was the intention of your government.

Senator SYNON—But there is an equity issue, because more people are wanting access to child care.

Ms Wannan—Than is fine. The government always has the right to make a decision. If the government is committed to child care being accessible to families, it has to face the reality that that is not the case. How many families you want to have accessing child care is entirely up to the government but at the moment, if you look at any of the data, you will find that low income families cannot afford it, that Childcare Assistance is now too low.

You are not getting equity, you are getting people with a lot of money, particularly women on high incomes who can afford the fee. Low income families, even with the Childcare Assistance, can not.

Senator SYNON—Low income families are in 77.4 per cent of private child care places, and their fees have not gone up.

Ms Haddock—But with their fees proportionately, as you mentioned yourself, there is \$1 difference—the cost of care. Remember that most of these services are a lot larger than our services as well.

Ms Wannan—The fees have gone up in the private sector. They have gone up a lot—

Senator SYNON—Over the last six years, but not since the operational subsidy was removed.

Ms Wannan—Yes they have.

Senator SYNON—How much?

Ms Wannan—Since 1994, their fees would have—

Senator SYNON—No, no, since the operational subsidy was removed from community based—

Ms Wannan—Fees have not increased, only because—

Senator SYNON—No, that is my point.

Ms Wannan—Fees have not increased—

CHAIR—Order! Order!

Ms Wannan—Fees have not increased only because of loss of operational subsidy, but the major impact on affordability, much more major than the operational subsidy, is the freeze on the Childcare Assistance and that affects both the private and community based sectors.

Senator SYNON—Thank you.

Senator PAYNE—May I direct my first question, please, to Ms Wannan, just in relation to a couple of aspects of your submission. You refer on page 3 of your submission to your nationwide survey. I just wanted to get some idea of the basis upon which that was conducted. If you could tell me the number of surveys that you distributed across Australia, the number of responses you received from that distribution and how the questions were designed and who designed them?

Ms Wannan—We are tabling that report for you, and that information is in there. The survey was distributed through our national network. We have branches in each state and territory and we ended up distributing it to every one, and our response rate was 25 per cent. We only had a couple of weeks to do it.

The reason we did the survey, which I think is important because that really determined that short time frame, was that we had been trying to bring to the attention of the federal minister for some time our view that fees were increasing and that families were not able to afford child care. We were unable to meet with the minister and we believed that the best thing we could do was to get some substantial data to him so we undertook the survey. We wanted to get it done quickly because our concerns were quite high at that time because of the anticipated closures. We only had a two-week time frame so we sent the survey out through our network to pretty much every child care service. It meant that directors or parents had to respond to it and we thought a 25 per cent rate was pretty good in that short time frame. The survey was developed by the national association in conjunction with the University of Melbourne.

Senator PAYNE—I have a question about future planning issues and the work of the government in that area. Recognising the growth of small centres in your community operations, which you have said were a result of previous government policy, and recognising the increase in the number of private centres of differing sizes, do you support the government's plans? Would you participate in the process of looking at those planning issues over the next period to see where child care, on a national basis, should go?

Ms Wannan—Yes, we support a planned approach. We always have and we would continue to do that. We participate in anything where we can inform government policy.

Senator PAYNE—If that planning approach basically makes the assessment—as would seem to be happening at the market level, at least—that the viability of small centres on a lengthy ongoing basis is questionable, will your organisation continue to work through that planning process?

Ms Wannan—Our organisation recognises now that small community based services are not viable, and we are already proposing to your government new ways in which we can retain the principles of community enterprise and ownership, but perhaps in a different form. More than anything, we do not want to see the community owned sector disappear because, for a myriad of reasons, we think it is fundamentally important to Australia, to our children's services system and to our children.

Senator PAYNE—I understand and appreciate those reasons. In a number of submissions, and one in particular which we have received, there is talk about pooling resources at the overheads level—the top coordination level—of community based centres in a particular council area or something like that. Would your organisation look at a framework for how that can happen across Australia?

Ms Wannan—That is what we are doing. We already have some models where that is happening and we are right now actively trying to do that. We are looking at pilots nationally and, in addition to that, we are looking at what we can do at the state or territory

level. We are looking at Community Child Care Victoria and at Queensland's children's services resource body. We are looking at the roles they should play in supporting and resourcing and then modelling community enterprise models which are different, viable and yet still meet the principles of good community management.

Senator PAYNE—What level of support do you think the various strata of government should provide in that process both financial and in kind from local, state and federal levels?

Ms Wannan—Combined it should be 100 per cent. But what will it be?

Senator PAYNE—Realistically.

Ms Wannan—These are complicated issues. You are asking me to comment on state and Commonwealth negotiations. In the real world there are quite different responses to what one might do in the ideal world. We believe the Commonwealth has an ongoing responsibility for Australia's children, for the rights of children throughout Australia to some equality and equity in the way their care arrangements are dealt with. We also have a view that the Commonwealth government should have some obligations to each state and territory to guarantee that happens. We do see it as a federal responsibility.

We have at many times made responses to numerous reports which the Commonwealth has undertaken when we have put up a Commonwealth planning framework. Our Commonwealth planning framework of course involves the three levels of government. It involves substantial resourcing from the Commonwealth government and then, as you move down to the local government level, some finetuning about planning.

We are of the view that only local government really knows what is happening at the local level. They know what prospective operators are in the system. They know much more detail about housing estates, about the nature of the family structure that is likely to occur in new developments. They understand when a certain community may be ageing. They have that finetuning understanding, so we believe they have a responsibility at the local level to both provide that information upwards and to work with their local communities in planning and resourcing and, ideally, in playing some catalyst role around the development of new services.

A state government, of course, is in the best position to make state level decisions about priority of need, and ought to have a view across the state about particular factors which might inhibit or enhance particular developments of child care in areas which may be remote or isolated and have their own particular problems. We believe the state has a responsibility for that and should contribute to resourcing the planning at that level.

Unfortunately, our whole system is changing so much that local government, particularly in Victoria, is moving away from having any active role in community service planning. That is simply because of funding constraints and a different view about the role of local government. Our view is that we do need active government to bring about equity and fairness and affordability for children's services. We would always argue that you start at the bottom and work up. The very bottom, of course, is the families who have the children, who know their neighbourhoods and who understand what their own particular needs are.

Senator PAYNE—Thank you, Ms Wannan. I would like to ask Ms Haddock a couple of questions. In your submission—

CHAIR—Senator Payne, if I might interrupt, we are coming to the end of this session and Senator O'Brien has indicated that he wanted—

Senator PAYNE—Yes. I just have one question for Ms Haddock, if that is all right?

CHAIR—Yes, that is fine.

Senator PAYNE—In your submission, Ms Haddock, you recommend that Childcare Assistance be increased to reflect the real cost of care by matching the ceiling to the average fee. Given that the government is in fact not involved in how services set fees as such, would you then cede the setting of fees to the government as well, if you want the government to match Childcare Assistance to the fees? That is my first question.

My second question is that there have been attempts previously by governments to increase the ceiling on Childcare Assistance to improve affordability for families but that has generally resulted in services increasing their fees regardless, so how would an increase now in Childcare Assistance bring about the effect that you are looking for?

Ms Haddock—Firstly, I need to reiterate that the community owned sector, which we are representing here in Victoria, set their fees on a break-even budget. They are not working in a surplus in terms of money made on the business. We know we are a minority in terms of the number of child care centres that are provided.

On the question of the government controlling fees, obviously that would go right against the grain in terms of our own decision making processes for services. Services need to be able to set their own fees based on their costs. The problem with the current Childcare Assistance system is that the ceiling is so far below, in some cases almost \$60 below, the actual break-even cost of care that people on low incomes are having to pay huge gap fees to actually access the care. That is why we suggested that the ceiling move to the average fee nationally, across the country, which I believe is \$155 per week.

If I could also refer you to the report we commissioned with the Brotherhood of St Laurence, they looked at the disparity between the actual cost of care and the Childcare Assistance ceiling between 1991 and 1998, and they recommended that bringing it up to the 1991 levels was an \$18 increase in Childcare Assistance. So, as a minimum, we would see that there needed to be that increase.

Senator O'BRIEN—Initially, I want to say that, while I have no financial interest in this inquiry, I am a member of the LHMU and that that is on my declaration of interests.

My question is to Ms Haddock. In relation to the viability issue for community based centres that you were discussing earlier, is the affluence of the community in which they are based the factor that differentiates between the viable and marginally viable centres or are there other factors that should be taken into account?

Ms Haddock—There certainly are other factors. Part of the reason that we commissioned the Brotherhood report was to find out whether that was the case. One of the major indicators is the utilisation of the service. If the service is not fully utilised then fees need to increase to cover the cost of care. We are finding that families that are not receiving Childcare Assistance, certainly if the secondary income earner is on a low income, are still finding a proportion of care—particularly if they have two children—is too great.

We certainly do not want to see a situation where we have the community owned sector only in areas of disadvantage and the private sector in the more affluent areas, we would like to see a spread across the whole community. It is interesting that the private sector, traditionally, has not established itself in low income areas. So, the reason for the affordability is not always related to the affluence within that community.

Senator O'BRIEN—Have you done a mapping of the location of centres in your survey to substantiate the point you just made about the location of private centres?

Ms Haddock—No, it is not in there. The Commonwealth planning data would be able to show you that trend. For example, in the western suburbs of Melbourne there are a total of five private child care centres. They make up a very small proportion of the actual services in that area.

Senator O'BRIEN—In relation to the work that your organisation is doing on pooled administration services for child care facilities, I understand there was a similar experiment in Wollongong in New South Wales. Do you have any information on how that has progressed?

Ms Wannan—I do know about that, it is the Illawarra children's services. They run all the child care centres under the one umbrella organisation and they are doing pretty well, I understand. I met with them last year and they were certainly viable. I do not know what has happened to them in terms of current issues around affordability and fees because if their numbers get down they will be in trouble too. It is only one model.

Senator O'BRIEN—I assume there are a number of models. Have you got any projections on the sorts of savings that are available? I suppose that is projected against the number of centres administered and what the actual administration costs are.

Ms Wannan—Theoretically, you can have one business manager across a number of services. You still need your director at the individual service level, if that is the way you do it. That is the way they have done it, they have the individual services, a business manager, and they still have a child care director in each centre. But that person has a much reduced administrative workload and is more part of the child-staff ratio. So you have some savings in managing in that way.

There are potentially other savings. The Commonwealth would certainly have lots of ideas, I would imagine, through the financial audits that have been done through the various child care services. The major cost in child care is staffing. There is pooling of equipment and purchasing but some of the services have very little money available to purchase anything so you do not make major savings in any of that, it really is just the staffing. But

there are other models of bringing services together under the one roof, trying to run different service types under the one community enterprise structure.

Senator O'BRIEN—What sort of financial savings, as a proportion of total costs, would be available with this sort of method?

Ms Wannan—The Illawarra model?

Senator O'BRIEN—Yes.

Ms Wannan—It could be 50 per cent of a director's time, or something like that.

Senator O'BRIEN—What would that be as a proportion of overall costs?

Ms Wannan—About eight per cent. We are really just flying by the seats of our pants here.

Senator O'BRIEN—If you want to think about that and give us a considered response, I will be happy with that. I am just trying to get an idea in terms of efficiencies that might be available. Are you talking about a rule of thumb four per cent saving for a centre?

Ms Wannan—I want to be cautious about it too because it is not a model that would work everywhere nor one that people would necessarily choose, and I do think that there are different models for community enterprises which perhaps we all need to be working through—which is one of the reasons we think it is possible. We would like to see the government talking to us about some pilots of quite different things—

CHAIR—Ms Wannan, I might interrupt you. If you have any information that you are able to provide to Senator O'Brien we will take that formally later.

Ms Wannan—We can do that.

CHAIR—I am going to have to interrupt you Senator O'Brien—

Senator O'BRIEN—Can I just ask you, if you can detail any logistical problems in that it would be useful.

[11.10 a.m.]

DE BONO, Mr Joseph, President, Child Care Centres Association of Victoria, 6 Westbrook Street, East Kew, Victoria 3102

STAINDL, Mr Philip, Consultant, Child Care Centres Association of Victoria, 6 Westbrook Street, East Kew, Victoria 3102

ADAMSON, Miss Suzanne, Chairperson, Victorian Association for Out of School Hours Services, 1st Floor, 48 High Street, Northcote, Victoria 3070

HODGE, Mrs Jacqueline Anne, Deputy Chairperson, Victorian Association for Out of School Hours Services, 1st Floor, 48 High Street, Northcote, Victoria 3070

BUCKLEY, Mrs Eileen, Executive Member, Victorian Family Day Care Association, 80 Dodds Street, South Bank, Victoria 3006

SCANLON, Ms Patricia, Executive Member, Victorian Family Day Care Association, 80 Dodds Street, South Bank, Victoria 3006

TIVENDALE, Mrs Lynne Dorothy, Vice President, Victorian Family Day Care Association, 80 Dodd Street, South Bank, Victoria 3006

CHAIR—Welcome. The committee has before it submissions from your organisations. I now invite you to make a short opening statement and, at the conclusion of your remarks, I will invite members of the committee to put questions to you.

Mrs Buckley—The Victorian Family Day Care Association would like to make a few comments regarding the submission. In only the last week we have been advised that changes have been made to the method by which the calculations were prepared for that submission and that, in fact, existing family day care children of school age will continue to be treated as they are at the moment. It does mean, however, that new family day care children of school age will be treated as stated in the examples given.

Senator NEAL—Do you mean with the reduced fees?

Mrs Buckley—Yes. This then raises a question from us: if parents are going to be charged more if they have a school age child enter family day care after 27 April, and we have a separate rate for existing school age children of parents who may have the same income level, are we not then being discriminatory to those families?

The second point we would like to make is that in family day care the operational subsidy contributes greatly, if not in some cases wholly, to the operation of the coordination units. These are the coordination units responsible for the training, resourcing and recruiting of care providers. The difference between operational funding for family day care and operational funding for child care centres is that in child care centres the child care fee and the Childcare Assistance flows directly back into that centre as a form of support. In family day care, the child care fee and the Childcare Assistance flow directly to the care providers

and back into the community. We feel that, in a lot of the arguments that have been put up, that is being misled.

The third comment we would like to make is to draw the attention of the inquiry to the survey that was undertaken by the Victorian Family Day Care Association in late October last year. Those figures clearly demonstrated the trend across the state of a loss of care across all schemes. We would like to point out that family day care schemes are in the process of producing their annual profiles, which will be the documentation to support their operational funding for 1998-1999. We feel that, once those operational profiles are lodged, they will support the survey that was undertaken.

CHAIR—Mrs Buckley, is the survey that you are referring to attachment 1 in your submission?

Mrs Buckley—Yes. We also would like to draw this committee's attention to the fact that family day care providers across the state, and across Australia, need to be recognised as a formal form of child care for parents. We have concerns that family day care providers are getting lost among the informal care providers registered for the Childcare Rebate. I can give you an example from my own scheme. Having gone through the process of an assessment of a new care provider, the care provider was rejected on the basis that the police check on her family members was not acceptable. That person then went on to register for child care cash rebate and advertised in a local paper as a registered carer. That is what we are up against.

CHAIR—Thank you, Mrs Buckley.

Mrs Hodge—Thank you for inviting us to come to speak to you this morning. We have membership across Victoria and we are the state member for the NOSHSA association as well. We have a fairly extensive membership representing about a third of services in Victoria.

We would like to say that this is a very early stage to give some direct evidence on the impacts of loss of operational subsidy and the increased Childcare Assistance for outside school hours care services as we have not yet moved to implementing the system. That will not happen until 27 April. Many subservices, and block grant services in particular, do not know whether they are yet to go over. We would like to see this committee looking at investigating the impact once the impact has been felt by services.

We are concerned with the four points that we would like to bring up in relation to our submission. Firstly, fee increases will rise in outside school hours care services across the state of Victoria. This rise is directly related to the loss of operational subsidy and most particularly related to an increase in administration time as a result of child care coordinators or outside school hours care coordinators needing to implement the new Childcare Assistance arrangements. It is unclear, even at this stage, as to how that process is to be implemented and some changes are still occurring.

Our next point is that we are concerned that services remain not only affordable but also accessible. Small services will have some difficulty in remaining available even with increased affordability being offered through Childcare Assistance. We are starting a system

where we move in with a substantial gap fee. The ceiling level of \$1.95, an available hourly fee, means that services are starting out with an existing gap fee. There are some difficulties with families not being able to access the two levels—two children or three children in care—and arrangements across service types or across age groups. That has some implications in terms of affordability.

We are very concerned that the target group of our services is not being reached by the increased Childcare Assistance. Recently we had some comment from the government that about only 26 per cent of families had registered and gone through the process of being assessed for eligibility for Childcare Assistance. I think some 70,000 families were expected and only about 11,000 had been assessed in March. We are concerned that the families that are to benefit from increased affordability will not be the ones using the services.

The increase in fees will be felt by the majority of service users. If they leave the services, then our fees will need to rise again, and services will become even less viable and eventually close, therefore we will not actually have services open. There is a concern about the loss of any core funding, or any funding to small services, whether they be rural, inner city, outer regional or metropolitan fringe services. Parents having access to Childcare Assistance will not actually be able to use them.

We are also particularly concerned about the lack of time that services have had to implement the new Childcare Assistance arrangements and the lack of clear direction from the government about how that is actually to work for services. Training was only completed in March. I think Suzanne has an example to give you of some change that she heard about just yesterday in terms of the way the administration system for outside school hours care will be implemented.

We also have to table a preliminary outcome of a survey that we have conducted across Victoria. We will have some final results by the end of the month, hopefully, to put as a final document to the committee.

CHAIR—Do you wish to submit that interim document, Mrs Hodge?

Mrs Hodge—We have an interim document that we can submit, yes.

CHAIR—We will see that in due course.

Mrs Hodge—Suzanne is going to go over some of the outcomes of the survey.

Miss Adamson—One of the concerns that I have—and this information has not even been released to services but I have been made aware of it—is about some very late changes to be made to how the Childcare Assistance has to be recorded. Originally we had to do reconciliations at the end of the quarter, based on families. Now they are looking at potentially changing that to individual children, having separate forms for each child instead of each family. In terms of how that affects us, we are looking at having to go to a computerised system, which we have never had to do before—we have been predominantly a manual system administration service.

My concern is that services who are already daunted by these new changing systems are not going to be able to use the computer software packages that they have bought, as of Monday, and that is going to increase the administration time required which has not been accounted for in their marketing. What I want to illustrate is that that is one of the examples of how changes are being made four days before we have to implement this system and we are expected to adapt to that immediately. Marketing and business plan advice has been done on the basis of possibly computerised systems, where maybe the administration time allocated was less than if you needed to do this system manually.

We are concerned that a lot of the changes have come in very late. People did not have the answers to a lot of the questions that we asked during our Childcare Assistance training sessions, so we are supposed to now implement this system on 27 April with information that is coming in as late as the week before we are supposed to implement it.

With regard to some of the findings from the survey, we sent the survey out to approximately 800 services across Victoria. There were 215 surveys returned, of which we used 212, because some of the surveys returned were state funded programs which obviously were not part of these changes. That represented 383 programs, meaning before school, after school and vacation care. It was a combination of either operating one of those components or two or three components. The survey was made up of 17 questions which went through the number of enrolments; who they were funded by, because some sponsors were funded by state and Commonwealth, or a combination of funds, for example, block grants; what their fees were currently; what they expected their fees to go up to.

Some of the data that we received was that almost three-quarters of the respondents indicated that the main reason for their fee increase was the operational subsidy and, of that, half of those also indicated that the increase in administration was an issue. Out of school hours has predominantly been a service whereby administration has not been paid for. So, in terms of getting business and marketing advice, that administration that historically has not been paid to coordinators, plus the increased Childcare Assistance administration, has made a major impact on the fees.

Some of the information that we have come up with is that in terms of parents using, say, the individual component on a weekly basis, they are looking at a fee increase for before school care of approximately \$10 per child per week. For after school care, they are looking at a \$6 increase per child per week. For vacation care, they are looking at an increase of approximately \$30 per child per week.

The only other issue is that services were concerned that they would have to move to single staff models, which neither services nor parent users are very happy about. But, in terms of affordability and ensuring that a service is still available in that area, some services, particularly before-school cares which are traditionally lower utilised, may have to move to this model—which is a concern for our association.

CHAIR—Thank you Miss Adamson. Mr De Bono.

Mr De Bono—Thank you very much. My name is Joseph De Bono. I am the proprietor of the Strawberry Patch Child Care Centre. We provide normal child care and we also provide before and after school services as well.

I am the new president of the Child Care Association of Victoria. The association has 210 members—that is, centres—and we represent about 10,000 places in Victoria. We are considered the peak body representing private child care in Victoria.

I come here with a little bit of trepidation because as I look at the agenda I see that I am the only private person representing child care centres. I am not paid, I am not funded, I am not supported in any way and, in fact, it is costing me money to be here. The irony of it is that most of the people that have spoken before me have been funded in some way to speak. It is a great job if you can get it.

I am not going to touch on all the subjects. However there are two issues that I would like to concentrate on and then I invite the panel to question me on the issues that they consider important.

With regard to the removal of the operational subsidy, the Child Care Centres Association supports the removal of the operational subsidy. We consider this as an unfair process which supports an enterprise simply based on who owns it. This is not good practice. It is not fair practice and it encourages waste and a bottomless bucket. The notion that community based centres are not allowed to make a profit has now transferred to not having to make a loss.

I would like to relate a story on this. I employed a person in charge of my centre who came to me from another community based centre in Darwin. She related to me that, just before she left, the council came up to her and said, 'You have got two weeks to spend the \$110,000.' 'Why do I have to do that?' 'Well if you do not spend it, you will lose it.' So they ripped out all the carpets and threw them out, all the washing machines, the refrigerators, toys, equipment, anything they could throw out, got thrown out and they had to do that in two weeks. They could not even sell the equipment because if they sold it that just added to the problem. I remember hearing somebody else before saying that we charge according to neutral profitability or no profitability. That just exacerbates the problem because you get more money and you can charge whatever you like and spend whatever you like. However the money saved from the removal of the operational subsidy ought, in our opinion, to go back to the parents in the form of Childcare Assistance. The gap is getting wider between what the parent pays and what the fees are.

The next issue that I want to touch upon is based upon the old saying 'A penny saved is a penny earned.' I refer you to the accreditation process that we have got currently. If you can transfer that to modern dollars, if you save \$10,000 in operational costs it is equivalent to getting a grant of \$10,000. We surveyed our members on their ideas of accreditation. We believe it is the only survey done on accreditation anywhere. I would like to read some of the results to you of this survey.

Senator NEAL—Could you also table that at the end please?

Mr De Bono—I will table that for you. I will not read all the things but it says:

The survey results found that the primary concerns with QIAS were that:

- . there are too many Principles.
- . the QIAS process is too subjective, complex, awkward and lengthy.

Another point that the survey found is that:

- . the level of paperwork required by QIAS, including the level of documentation to prove adherence to the Principles, is too onerous and takes time away from caring for children.

It also places a high level of unacceptable stress on the staff. The survey also went on to say that most people—parents—do not question whether a centre has got high level or medium accreditation. The main factor is the fees charged to come to the centre. That determines where people go.

I do not want to be simply negative and knocking, but I would like to demonstrate to the committee the process that you have to go through just to do the accreditation. That is just a step. In one little block there you may find 20 or 30 different processes that you have to do. One of the blocks says you have got to survey the parents. I have just over 100 parents and I had to survey each and every one of them, collect information and collate it. That simply added to the cost. Then the staff had to produce one of these books. We have not even applied for accreditation yet. This is simply the process that we have to go through, and the paperwork just goes on and on.

However, the state government in Victoria produced its own version of accreditation. In the federal government's accreditation system they tell you what to do and it just goes on and on. One principle might go for three or four pages. Here is principle 18. These are the things that they expect you to do and what they like and what they do not like. These are the guidelines.

The Victorian government did something different. It provided a check list. Simply open it at any page and it says, 'Here's the problem.' It is a one liner compared to 100 lines of what the Commonwealth expects. They say, 'Do you recognise that you've got a problem? If you do, what are you going to do about it?' That form of accreditation reduces the costs of operating a child care centre and that will then impact on the fees that you charge parents. Again, I go back to the original point that the money saved by not having to do that ought to be passed on to the parents in the form of reduced fees.

In summary, the private sector is doing it hard, but it is still doing it. We account for about 70 per cent nationally of child care places in Australia. The removal of the operational subsidy ought to be maintained. It complements the national competition policy that the federal government has introduced and, I understand, all state governments have agreed to. Again, the money saved ought to go back to parents via fee relief.

We provide quality child care; our child care is equivalent to Australia's best practice. But every new regulation means a new cost. It is desirable that there is less government

interference to let us get on with the job. We are proud of what we do and we hope to continue doing it. Thank you.

CHAIR—Thank you, Mr De Bono. We will now go to questions from the committee.

Senator NEAL—Mr De Bono, I must say I was a little bit disappointed that you feel it necessary to compete with community based child care. Obviously there has been competition but, as a committee, we are not here to say one system is better than another; we are here to see what the problems are in child care.

Mr De Bono—I understand that. I do not want to get to a situation of us versus them.

Senator NEAL—That is a very healthy attitude.

Mr De Bono—All we are saying is that it ought to be equal for everybody.

Senator NEAL—I was interested in the evidence you gave on accreditation. I was not completely clear what you were saying. Were you suggesting that there should not be a system of accreditation—

Mr De Bono—No.

Senator NEAL—Or were you suggesting there should be some changes? If so, what sorts of changes were you proposing?

Mr De Bono—I was suggesting the latter option. There should be some form of accreditation. If the government hands out money there ought to be some form of accountability for it. However, the current system is too complex. There is too much emphasis on administration rather than child care and there are, as I pointed out, suitable alternatives to the current system.

Mr Staindl—The cost impact of government regulations has a substantial bearing on the level of fees and charges that are charged by centres. It is not only at the federal government level that that occurs either. I am not sure if you are aware of it but in the latter part of last year the Victorian government released a comprehensive set of draft regulations in the form of a regulatory impact statement affecting all child care areas in Victoria. If they were implemented in their current form—and we have had the opportunity to comment on those—they will also add considerable costs to the provision of child care.

Every level of government that imposes additional regulations, checks and processes is adding to the cost of child care, which then further removes that affordability. I do not think anybody in the industry is advocating doing away with regulatory checks: they are needed; it is just that if they are going to be changed then careful consideration needs to be given to the cost impact on the management and operation of centres.

Senator NEAL—Evidence we received earlier suggests that private centres tend to be, on average, larger than community based centres. Do you support that view? What is the average size of private sector centres?

Mr De Bono—Sixty-five per cent of members of our association have centres with 45 places or fewer. In very recent times there has been a tendency to build mammoth child care centres, institutions rather than child care centres, but that is the minority rather than the majority.

Senator NEAL—What is the average?

Mr De Bono—For us it is 45 places.

Senator NEAL—Anecdotally, it has been suggested to me, not so much in Victoria but in other areas, that there has been a major drop in occupancy or usage of centres both in the private sector and in the community based sector. What would you estimate that drop in usage to have been in the last two years? Have you done any survey work to establish that?

Mr De Bono—I will answer your last question first. We have not done any surveys on that yet but we do get anecdotal information coming through. There has been a drop in usage but the drop in usage happened most dramatically at the beginning of this year. It seems as if parents stayed on until the end of last year and then they started to fall off in a dramatic way.

Senator NEAL—Do you have any idea what level we are talking about?

Mr De Bono—No. I can give you some stories where private child care centres still have waiting lists. I can tell you also of another centre which is registered for 60 places but where they have five kids only. That centre opened in about November of last year.

Senator NEAL—I understand that this is not based on survey material, because you have not done it, but obviously you talk to a lot of people at your centres. You are involved in the organisation so you must have a lot of contact with them. Do you know what reasons are mainly given for people leaving centres?

Mr De Bono—Yes. There are several factors. It is hard to say which ones are more important than the rest but certainly the cost factor, above all things, is the main issue.

Senator NEAL—The cost to parents?

Mr De Bono—Yes, the cost to parents of child care. After that it breaks down. The bad publicity that child care centres are getting lately from people who are claiming that child care is becoming too expensive is putting preconceived ideas into parents' heads. They believe that there is no need to apply for child care because it is too dear, which is not necessarily the truth. I know of some private sector centres that have dropped their fees recently, within the last four weeks, in an attempt to attract more custom. I cannot say whether that move has been successful for them or not, but it has happened.

Senator NEAL—Can you tell me how many private centres have closed in Victoria in the last two years?

Mr De Bono—I cannot tell you exactly but I can tell you there have been some. Two years ago the figure was probably none but in the last few months I have been involved with about four, maybe five.

Senator NEAL—So you do not really know?

Mr De Bono—No. There are no statistics on this.

Senator NEAL—I thought you might keep a record of them.

Mr De Bono—No. We keep records of our members—

Senator NEAL—How many of your members have closed?

Mr De Bono—About four.

Senator NEAL—In the last two years?

Mr De Bono—In the last couple of months rather than the last two years.

Senator NEAL—Do you know how many in the last two years?

Mr De Bono—No. As I said, any closures that have occurred have occurred in the immediate past.

Senator NEAL—Mrs Hodge, you gave some evidence about having done a survey. You gave the example of the fee rises. Do you know what proportion of families that are presently accessing outside school hours care would be leaving those centres?

Mrs Hodge—It is very early to say and very difficult to say. We can only go anecdotally on services that we have had direct contact with because services are only just starting to advertise their new fees and promote Childcare Assistance in an attempt to retain families. We really need some studies done at a later date to see how many parents have been lost. We intend to do some of that, but we also see it as a government responsibility.

Senator NEAL—I have heard that the amount of Childcare Assistance that is going to be provided for outside school hours care is limited both before and after school.

Mrs Hodge—The number of child care hours is limited to a maximum of 3.5 hours in after school care and a maximum of two hours of before school care and a maximum of 10 hours in vacation care. I think you can apply to have it extended. Then you get into whether or not those families have actually attended and they have to claim allowable absences. A lot of services are saying that the paperwork that goes with that is too difficult. It is adding a system of attendance versus booked care onto the additional hours that you can apply for.

Senator NEAL—You said that a lot of your centres are looking at introducing some sort of computerised system because of the added complication of administration with this new

system. What proportion of your centres would presently have some sort of computer system?

Mrs Hodge—About one per cent. It is very low. It is mostly done by coordinators in their unpaid time. I think some studies done in the past by the government on work force issues have documented some of that unpaid administration time. There have not been the programs available. They are only just coming out now. The ones that were using some form of computerisation had some local government attachment and, therefore, were being run in conjunction with family day care or that sort of thing. Generally, a very small number of services would be computerised.

Senator NEAL—I am interested to know if family day care has seen an increase in usage of those leaving child care centres or whether their usage of child care has remained pretty static.

Mrs Buckley—No. In fact, overall there has been a drop in family day care. Very few children have come from centre based care.

Senator NEAL—It is often said that children are moving from one place to another. I find that particularly interesting. I was not exactly clear on what you were saying about school age children who are presently in the system and school age children who go into family day care from this point.

Mrs Tivendale—The new rules state that children who have been previously in care will be treated as old children and will remain on the same rates that are currently charged for them and the same level of child care. Children who begin from 27 April onwards will become new children and be given the lower rate of Childcare Assistance. This automatically strikes a two-tier system which we have to cater for in our books. There is also the matter of whether it is a fair thing or not. That can occur within the one family.

Senator SYNON—Mr Staindl, I am interested in considering the issue of the closure of child care centres and how many closures are related to size. We heard evidence earlier this morning that a number of community based providers are disadvantaged because they are small providers and there are obviously less people with whom to share the overheads. In your submission, you say that 60 per cent of your centres have 45 places or less. Of the centres which have closed that you are aware of, how many would be centres at the smaller end of the scale?

Mr De Bono—I may be able to answer that more accurately. Keep in mind that I am talking about a small figure and about four or five centres. It is hard to be precise to be of any value in the statistics. One centre had about 90 places and another had about 30 places.

Senator SYNON—So you cannot really draw any conclusions from that.

Mr De Bono—No, the figure is too small.

Senator SYNON—I understood that it was a lot more private centres than that.

Mr De Bono—I do not doubt that, but I can only speak on behalf of our members. There have been more private centres closed, but we do not have access to that information.

Senator SYNON—My information is that within Victoria over the last year there has only been a net reduction of one child care centre, considering the number of closures there have been and the number of new centres that have opened in other places.

Senator NEAL—What information is that?

Senator SYNON—I have some information.

Senator NEAL—From where?

Senator SYNON—It is my own research, Senator Neal. I understand that about 85 per cent of the closures happen because of oversupply issues—that is, too many child care centres in one area. Given that, does your organisation see itself playing a role in advising prospective private providers on location of child care facilities?

Mr De Bono—Yes, we do. We support the government's move to limit the places to 7,000 because the over-saturation problem is certainly having an impact. I read with interest a newspaper article where a local council, the City of Werribee, closed three of their child care centres, which accounted for about 90 places, because they could not afford to keep subsidising their losses. It was felt that the private sector had enough places to pick up the 90 children that were left out of care. Obviously, there was a saturation problem happening in Werribee. I am not sure if that answers your question.

Senator SYNON—That is a policy direction that you support and that you would be advising.

Mr De Bono—That is right. If a prospective child care centre operator approached us, we would have to be fair and point out to him that there are saturation problems. Some centres are running profitably and others are finding it hard.

Senator SYNON—Mr De Bono, you talked about the excessive amount of time required due to paperwork regulations and so forth. In your own centre, what percentage of overall staff time would you guesstimate is spent on paperwork management?

Mr De Bono—When I opened my first centre nine years ago, when Childcare Assistance first started, the paperwork would have been sufficiently covered in about one day a week. Today, with accreditation, fee assistance and all the other regulatory requirements that we have, I would say about three days a week would be taken up in just purely administration work. It would be perhaps 3½ days.

Senator SYNON—In your submission you talk about the high profile media campaign. You mentioned in your evidence that you felt that it may be counterproductive in that it may be discouraging some needy families from seeking out child care because of the fear around that campaign. That is also something that the government cares about too. Do you see any positive ways that we could get the message out to the community?

Mr De Bono—‘We’ being government or ‘we’ being private sector?

Senator SYNON—‘We’ being both. ‘We’ being the collective community.

Mr De Bono—The private sector engages in various forms of advertising and promotion of their business. Some do it through the *Yellow Pages* and nothing else. Others would have mail drops and newsletter articles and all sorts of things. The government could send out a different message saying, ‘Yes, child care can be affordable.’ It is up to the government and their own market research to decide on how they do that. We would welcome anything that happened along those lines because there is a perception developing, and it is only in embryonic stages, that child care is just becoming too expensive. People are walking away before they even check it.

Senator SYNON—Over what period of time do you feel that perception has been developing?

Mr Staindl—I would say probably the last couple of years. It seems to be that any change to the child care area now is not a positive, it is a negative. That is the perception that happens. So when people affected by those changes kick up about them, it is going to be a story about, ‘This is having a negative impact on the cost of child care.’

Senator SYNON—So the story that the government is going to fund an additional 83,000 places in child care does not get out because of the fear and the focus on the negative? Thank you.

ACTING CHAIR (Senator NEAL)—Senator Payne, do you have any questions?

Senator PAYNE—I have one question in relation to outside school hours care and the changes in relation to Childcare Assistance, if either Mrs Hodge or Miss Adamson would care to comment. As I understand it, from the date of the new changes in excess of 50,000 families who were not previously eligible for Childcare Assistance will receive assistance and almost 20,000 who were receiving assistance will be eligible for more assistance. What effect do you think that will have in your operations? I note in your submission that you refer to an anecdotal example in eastern Melbourne where somebody will cut child care from five days to three days. I assume that is a person who, for example, would be on a family income in excess of \$65,000 or so?

Miss Adamson—I think the difficulty that there has been with this new Childcare Assistance system is that it has not been promoted enough to families. They are not aware that this is a new system. They are not aware that they are now eligible for it. An example of that is that I sat down at my service in the last week handing out the brochures from Centrelink saying, ‘Here, fill this out, get your application form,’ and they were saying to me, ‘I am not eligible.’ I had to individually ask each parent, ‘What do you think is your income approximately?’

The difficulty is going to be that, as of Monday, the new fees start; as of Monday, not every parent who is eligible for Childcare Assistance has been assessed for Childcare Assistance. An example is that my service has approximately 200 families and only about 20

assessment notices have been returned to me. So every family that is eligible that has not received an assessment notice will be paying the full fee until they realise that they are eligible. Our concern is that they may not realise and it will be too late—they will move out of the service before they realise that they are eligible because they think they have to pay the full fee.

Our concern is that parents are not aware. They have been on this old system for so long, where a minority of people have been eligible, and it is really only the people that have been eligible in the past that are applying again. With those that are eligible now who do not realise it, we are having trouble, even as services, in getting the message across to them that they are eligible now. I guess the other difficulty—

Senator PAYNE—It is in your interest to do that, though.

Miss Adamson—Oh yes; but that then adds to the cost. Do you pay a staff member to predominantly just sit there every night to talk to parents and sell this point to them? Or do you have someone who is taken away from the children and has to speak to each parent as they come in, and does that then reduce the quality of your service because that person is then not able to be with the children when they should be? Predominantly, the time that we get to talk to parents at the service is when we are interacting with the children at the same time.

Mrs Hodge—In addition to that, services do not have a current methodology for assessing parents' incomes, so we are not sure how many of our parents will be eligible. The other part of our concern is that a majority of our users will be outside the cut-off levels for Childcare Assistance and that the target group will actually not be benefiting from the Childcare Assistance. In fact, the work that we have done would show that you have to be on about \$46,000 a year or less to actually benefit from increased Childcare Assistance once you take into account increased fees. So the number of families that are going to be better off gets smaller because of the increased fees.

Senator PAYNE—That is not actually how I understand the figures. Would it be possible for us to have a look at your calculations on that?

Mrs Hodge—Yes; at a later date, we could supply you with something.

Senator PAYNE—Sure, that would be great. Thank you.

Senator O'BRIEN—Mr De Bono, what is the effect of fee relief on the utilisation of private centre places?

Mr De Bono—Of course it caused the explosion of child care centres all over the place, both community and private. The fee assistance had a huge effect on it. Mind you, I started to build my centre prior to the knowledge that fee assistance was going to be passed on to the private sector. Once it got passed on to the private child care centres, in 1991, that opened the opportunity for private operators to come in and for developers to put up centres. That coincided, unfortunately—or fortunately—with the retrenchments that happened, and people often used their packages to buy into child care centres.

Senator O'BRIEN—What proportion of private centre proprietors who are members of your organisation would have other businesses?

Mr De Bono—Impossible to say. I would say a small minority would have other businesses.

Senator O'BRIEN—So they are mostly single purpose business operators?

Mr De Bono—Yes.

Senator O'BRIEN—Are there any tax benefits which make the entry into a private child care centre more attractive?

Mr De Bono—No. In the last couple of years we had the introduction of sales tax exemption, but the exemption only applies to items that are purchased for the use of the child care centre so it gets limited usage. Other than that, there are no taxation benefits that I am aware of.

Mr Staindl—The sales tax exemption is applicable to both community centres and private centres.

Senator O'BRIEN—Yes. Do you have any information on the level of profitability on capital for these centres?

Mr De Bono—If you listen to the estate agents, if they are selling a child care centre, they will tell you there is a fortune to be made. I have heard some astounding figures, but I have never experienced any of those outstanding figures; I just have not seen that at all. It would be difficult to come up with high profits.

What has happened also with the expansion of the large centres is that the rent component of operating a child care centre has just become far, far too high and centre operators are struggling just to meet the rent. That provides us with another problem. Most community based centres would pay little or no rent, or a peppercorn rent, and they are able to get away with that because the council provides the facilities. The newer private child care centres, as an average and as a guide, are paying about \$1,000 per child per annum in rent. So if you have a 50-place centre, you are paying about \$50,000 a year rent.

You compare that with a community based centre that is getting an operational subsidy and is paying little or no rent. It gave the impression initially that there was huge money to be made here, because the private sector would normally operate at a lower cost. That may have been there for a very short period of time, but I do not think it is there any longer, particularly in view of the fact that it is difficult to fill a child care centre.

On the point of filling a child care centre, and in terms to my learned colleagues alongside me, many child care centres that used to never take part in providing before and after school services are now providing those services, so there has been a shift from the people on my right to move across to the child care centres that have now got the openings and the vacancies to be able to take up the slack that is happening over there.

Senator O'BRIEN—How important is proximity to schools?

Mr De Bono—If you do not have a bus, it is an extremely important factor. In fact, it is probably the total factor. In my centre we provide an after school service, but we had to purchase a minibus to take the kids to school and pick them up and bring them back. That is a cost—a cost to buy the bus, a cost to staff it and a cost to run it.

Senator O'BRIEN—In terms of that level of utilisation, is there a connection between use of the centre by children preschool and a continuation in after school care, or is it just a growth that has occurred independently of the children using the private centres?

Mr De Bono—I am not sure if I am going to answer your question precisely the way you would like me to. Traditionally, child care centres used to look after children until they went to school and then that was that. Only a minority provided some before and after school services. But before and after school care is now growing because there are vacancies at centres. They can now take the children whereas before they were running at capacity and they would have gone past their allowable number of children at the centre.

Also, if a child has been attending a particular child care centre and is familiar with the routine, familiar with the staff and familiar with the service, parents have a tendency to have the child stay there for before and after school care. It is an ongoing process. You drop the child off at the centre and you take the child to school and then you pick up the child from there after school. The child usually fits in a lot better that way because he or she is used to the surroundings.

Senator O'BRIEN—Do you have any knowledge of differences between staff to child ratios as between the community based sector centres and the private sector centres?

Mr De Bono—The regulations are exactly the same.

Senator O'BRIEN—I know that, but the regulations are a minimum, not—

Mr De Bono—Anecdotal experience is that the community based sector centres have far more staff than private child care centres.

Senator O'BRIEN—When you say 'anecdotal', is that what your members tell you?

Mr De Bono—Yes. I talk to centres and ask how many they have. Quite often you will find that in private centres the proprietor does the administration work whenever he or she can squeeze it in and when they are needed on the floor they go out onto the floor. Quite often not every community based centre will have a person in charge of the centre overall; they just handle the administration, talk to the parents, shuffle the papers and those sorts of things, which we have to do as well.

Senator O'BRIEN—When you say 'shuffle the papers' do you mean do the administrative work out of hours?

Mr De Bono—I was not being facetious, but that is the point I wish to make. The administrative paperwork burden is growing and we have to face that as well as other centre. In terms of administration, our requirements are exactly the same as theirs. I hate shuffling papers, but I find myself doing it too.

Senator O'BRIEN—This may be a question which you may or may not be able to answer. How many of your members would operate their staff to child ratios at the regulation level?

Mr De Bono—All of them.

ACTING CHAIR—So it is 15 to one?

Mr De Bono—I do. We find that in the busy times of the day we need a few more hands than what the regulations require. I run my business on the basis that if the children are happy then the parents are going to be happy and the staff is going to be less stressed out. But that adds to the costs, unfortunately.

ACTING CHAIR—I have a question that I forgot to ask Mrs Buckley. In relation to accreditation being extended to family day care, does your organisation support that happening?

Mrs Buckley—The Victorian Family Day Care Association supports wholeheartedly the extension of the accreditation to family day care.

ACTING CHAIR—I was aware of that but I wanted to get it on the record. That will basically end this session. We are having the forum for providers next and we might have a short break to get ourselves prepared.

Mr De Bono—Could I ask a question of the committee?

ACTING CHAIR—Not really. You can ask me individually if you want. Could we be provided with the documents that were tabled?

Proceedings suspended from 12.04 p.m. to 12.18 p.m.

BUNN, Ms Susie, Director, Craig Family Centre Inc., 7 Samarinda Avenue, Ashburton, Victoria 3147

CHARLTON, Miss Kelly Louise, Coordinator, Elwood Children's Centre Inc., 46 Tennyson Street, Elwood, Victoria 3184

DODDS, Ms Jenn, Director, Perry Street Child Care Centre, 129 Perry Street, Fairfield, Victoria 3078

HYDON, Ms Catharine Florence, Director, St Michael's Children's Centre, 391 Camp Road, Broadmeadows, Victoria 3047

MOORE, Dr Marilyn Elizabeth, Committee Member, Warrandyte After School Care Program Inc., c/- Warrandyte Primary School, Forbes Street, Warrandyte, Victoria 3113

ROSA, Mr Gerry, Parent, Perry Street Child Care Centre, 129 Perry Street, Fairfield, Victoria 3078

SCHROEDER, Ms Liz, President, Committee of Management, Perry Street Child Care Centre, 129 Perry Street, Fairfield, Victoria 3078

WATERS, Ms Michelle Ann, Head, Family Advisory Services, Monash University, Wellington Road, Clayton, Victoria 3168

WATSON, Mrs Margaret Ann, Coordinator, Derek Robson Children's Services Centre, Chiltern Street, Broadmeadows, Victoria 3047

ACTING CHAIR—Welcome. We have a panel representing providers and individual child care centres. We will be inviting representatives of each organisation to make a short statement relating to the issues which impact on their particular centre, and if there is any time remaining, senators can ask questions. Ms Bunn, maybe you would like to address the inquiry.

Ms Bunn—To set the context, the Craig Family Centre is not a child care centre; it is a community based family support service. We offer a range of family support services to the residents of Boroondara directly, and because we are situated on the border of Boroondara, we also service people in the city of Stonington and the city of Monash.

We offer an occasional care service, a three-year-olds' kindergarten and adult recreation type programs, and we have maternal health and family day care all based at our centre. The area that we have the greatest concern about at the moment is our school holiday program, and I am here to talk about our fears, I suppose, in terms of the impact that these changes will have on our school holiday program.

The community that we service is very diverse. We are surrounded by a ministry of housing estate, so we have families with very high needs. Because the school holiday

program attracts people from as far away as Balwyn, Chadstone and Mount Waverley, there is quite a diversity in terms of socioeconomic and cultural backgrounds.

We are what is called a Commonwealth funded, state administered program, so we somehow fall between cracks when it comes to receiving certain benefits that are offered either to Commonwealth funded programs or to state funded programs.

A characteristic of our vacation care service is that we cater for quite a large number of children with additional needs. We do not receive Childcare Assistance for our families, and that also means that technically we should not receive any of the supports that go with servicing families who have children with additional needs. But because there is no vacation care service in the city of Boroondara that has Childcare Assistance, there is nowhere to place these children, and because of the nature of our surroundings—we have quite high fences around a large playground area—a lot of the children end up at our centre.

There is a very big question mark about what is going to happen to those children once the final decisions are made about Childcare Assistance if we do not receive it, and then there are a lot of questions about how we are going to administer it in terms of the cost associated with administering it if we do receive it.

What we are facing at the moment is chaos, basically. There is no-one there who can actually answer our questions. We ring the Commonwealth department, we ring the state department, and people just do not know what is going to happen with Childcare Assistance, how it is going to be distributed or if we will be eligible. We were originally told that we were eligible to receive financial assistance for program planning and financial planning; then we were told because we are state administered we are not eligible. We were then told we would have access to money to computerise our services; then we were told because we are state administered we are not eligible.

So we are in this dilemma of not knowing how to plan for the changes that are about to come. We will lose our operational subsidy. We have started talking to local schools about working together, but we are finding that we are also facing competition from other providers for vacation care. They are very large providers, and they have the resources and the expertise, I suppose, to plan. At the moment we do not have the resources and we do not have the information, so it is not very competitive in that sense.

My concerns are very much to do with how we are going to cater for those families who really do need the support of special needs subsidy schemes. What are we going to do with the children who need one-to-one carers if we are not eligible for Commonwealth assistance?

We have another thing that really concerns us in terms of the whole city. If one provider received Childcare Assistance, does that mean that all children with additional needs will go to one centre? If that is so, is that then creating a specialised institutional type of service, when we have worked so hard to integrate these children in normal programs. If one centre receives Childcare Assistance rather than everyone, do all low income families go to that one centre? Do we start creating the ghetto situation? That is our concern. We have been told that Childcare Assistance will be randomly given or there will be some sort of assessment and it may not go to all centres. So that is the first issue.

Also, not knowing, not having information, means that we cannot plan. We have conducted some feasibility studies that show that we need to maintain our numbers in the vicinity of 45 to 50 children per day in order to maintain our fees at the current rate. We are estimating that, if our numbers drop to around 30, we will have to increase our fees from \$16 a day to roughly \$28 a day and from \$20 a day for excursion days to \$30 a day. Many of our parents are not going to be able to afford that which means that we will not get the numbers which means we will have to increase fees.

We cannot give you accurate figures because it has not happened yet. We are still receiving operational subsidies. The initial feasibility study that we have conducted has shown that we need to maintain our numbers in order to keep our fees down. These changes are confusing centres; they are confusing parents. There is no information to plan and, because we cannot plan, we cannot prepare. Thank you.

Ms Waters—I will give you a bit of background of what my position is and what Monash does. We are responsible for nine child care services—not directly: we offer in kind services in the way of buildings and resources to our committees of management so that the committees of management run the services independently. These services include six long day care services, one occasional service, which is in the form of a family day care model, and one vacation care program plus a centralised state-wide child care and advisory referral service. In total, we have about 334 children in our care—that is full-time places.

My concern is that our services have always prided themselves in offering quality and in having a commitment to innovative best practice in terms of early childhood programs. Due to the loss of operational subsidy, they are feeling that they are having to compromise quality on every front. Our concern is for the children and for our staff who are feeling very stressed. We are seeing morale at the centres going down.

We also feel that with deregulation, with the private sector and the markets there, it has increased the number of child care places and that our utilisation rates have dropped remarkably. We are concerned with the increase in fees. In one service they have gone up by 17 per cent over the last couple of years, which is significant for students. That is coupled with the fact that there are so many available places. We are at a stage where our services are suffering, the children are suffering and the staff are suffering. Our main concern is quality. Our clientele is very unique. They are students and they do not have regular incomes, and they do not have regular rosters and timetables.

The child care providers have to offer a service that runs 48 weeks of the year with a clientele that is very transient. One semester everybody knows what is happening and that changes next semester. Without operational funding, they are finding it very difficult to maintain the quality of service. That is why I am here.

CHAIR—Thank you, Ms Waters.

Mrs Watson—I just would like to give an overview too of my centre. It was built five years ago with extensive consultation and review of the community needs when it was designed, offering services that were not offered anywhere else in the community.

We cater to a very large non-English speaking background community. We had 30 different nationalities last year. A lot are new migrants to the country and have specific needs. Some have gone through trauma and have refugee status. My staff are especially trained to accommodate their special needs. We have multilingual staff. We also have specific menus for the Muslim community. We cater for children with special and additional needs.

We achieved maximum accreditation. We took advantage with the withdrawal of operational subsidy. The financial report indicated that we had a very cost-efficient service and a few efficiencies could be made. The centre has made those efficiencies since.

There was encouragement to market and promote the service. While we agree that there is healthy competition and that private enterprise within the area is excellent, if the service is at a cost the community cannot afford, it is really not worth marketing the centre. The cost for one child in 1996 for families on an income around \$347 to \$522, which was attracting maximum Childcare Assistance, was \$29.50. In 1997, with the introduction of the 50-hour limit, the cost for one child was increased to \$69.50. This year, with having to increase our fees, the cost is now \$74.80.

CHAIR—Increased to or by?

Mrs Watson—Increased to. It was \$39.80 for the second child in 1996. In 1997 that increased to \$122. This year the increase is \$128. For the third child, it was \$46.80 in 1996, \$171.90 in 1997 and now the cost is \$176.90. I suggest that families that have more than one child just cannot afford to access our services.

Senator NEAL—Is this the gap?

Mrs Watson—This is the gap fee.

Senator NEAL—This is the gap that parents have to pay after they have the child care—

Mrs Watson—Yes. They are all people that are on an income of under \$522 and this is the average within the area that we service. There is a high level of migrants coming into the country. They are learning English and trying to access courses and do training, so that they can get work, but they just cannot afford to pay child care costs to enable them to study or get any qualifications. Parents returning to the work force after the birth of their second child are facing similar problems. Because of this, we had quite a few families in this area with children at risk, particularly the large families. They no longer attend our centre because they just cannot afford the services.

Defaults in payments in 1997 rose 400 per cent. It seems that working families are being penalised for having preschool children and trying to meet their financial responsibilities by going out to work. More and more of them are returning to just going onto social security payments because they cannot afford to work. Even with the middle income earners who have been attending the centre, now the whole of particularly the second member of the family's disposable income basically is going in child care fees. They are looking at the

advantage of keeping their child in child care to get the preschool education and also for them continuing in their profession and updating their qualifications. At this point in time, it is a choice of keeping that availability or staying home with their children. But their whole income basically is going on that and not helping the family financial commitments.

I would like to ask the Senate to recognise that Broadmeadows is a disadvantaged area, even though we are not a rural area, and that we do need to receive extra funding or assistance to meet the needs of these families. It is a very low socioeconomic area. These parents no longer have a choice of child care centres. It is a fact that they just cannot afford to send their children to child care.

In terms of the centre itself, we have had to reduce staff. We are now working on minimum regulation requirements. We have quite a number of children with additional needs. If they are over three years of age, that means that they are in a room with one staff to 15 children. It is just not a viable option. Therefore, these children are no longer able to access our service if we cannot provide the extra staff.

Basically, our service is suffering because the quality is reduced because of reduced staffing levels. We are not achieving the quality that we did for three years accreditation, which we achieved. The whole accreditation system really is beginning to fall apart because we cannot maintain it on minimum staffing levels with the extra needs that are required by the non-English speaking children and the children with additional needs, apart from the needs of other families in the community. Basically, if children do not attend our child care centres, they will not have any access to any preschool education, and more and more will be forced back onto social security payments.

We are a 60-place centre. At the moment, we have had to rebudget for around 40 children. During these school holidays our numbers have dropped to 25 to 30. This has also impacted on the committee of management. We were unable to attain a quorum for the AGM. Parents are not willing now to put themselves on the line to assist, with all the other pressures that they have, particularly as they are concerned about whether, if the centre becomes no longer viable, they will actually be responsible for any debts incurred. We are having more and more children attending on a casual or a part-time basis and our full-timers are withdrawing, since the introduction of the 50-hour limit has impacted on our centre dramatically.

There have also been five private centres that have been built within the greater Broadmeadows area over the last 18 months. That has, to some degree, impacted in that some of our middle-income earners have moved. Basically, we cannot support our services with all the low-income earners and people of non-English speaking background; we cannot sustain it. Thank you.

Dr Moore—I am speaking on behalf of Warrandyte After School Care Program, which is a small non-profit community based organisation managed by a small committee of volunteer parents and, on a day-to-day basis, by a coordinator, and employing a small number of part-time casual staff. The service provides before and after school care for primary school children in Warrandyte. It is located at, and sponsored by, Warrandyte Primary School—we use the school's facilities. The convenient location means that children

do not have to leave the school grounds to attend the child care service. This is considered a very important aspect of our operation.

Warrandyte is in a very high risk bushfire area and the school is a designated fire refuge. Parents consider that there is no safer place their children could be left on a high fire risk day, of which we have many during the summer. Families who use the service do so almost exclusively because the parents work. The program is recognised by the school and the Warrandyte community as a valuable and necessary component of local community service.

Over the past two years the workload and level of professional management expertise required of the committee members has increased substantially. A disproportionate amount of the committee's activity has been occupied by dealing with changes required by the government. This means that we have great difficulty in recruiting new committee members, apart from anything else. These changes have also imposed particular stress on the coordinator. The change which has had the greatest effect on our service is the loss of the operational subsidy. Our viability is now under great threat, despite stringent cutbacks to the program's operation. The current income from fees does not cover our existing costs and it does not allow us to build any reserve to enhance the service or to meet unanticipated expenses.

In mid-1997 the committee introduced a series of budget measures in anticipation of the removal of the operational subsidy. Fees were increased by 42 per cent for before school care and by just over 27 per cent for after school care. Employee working hours were reduced. The level of staffing was cut back to within the required guidelines of one adult per 15 children. For the staff, this has meant significantly increased stress and demands on them. For the children, it has meant a lower level of supervision, less variety in their supervision and much less variety in the range of activities available to them.

Specifically what this means is that for a service which has roughly 22 children on an average day, we can only have the coordinator and one part-time staff member. The staff member other than the coordinator now tends to be very junior, in the 15- to 17-year-old bracket, because we cannot really afford to pay an older person. The long-term problem with this is that if the coordinator is sick or away, we do not have anybody available with the expertise to run the program on a particular day.

Before the loss of the subsidy we used to employ a minimum of three staff. This allowed one person inside to supervise children who were undertaking indoor activities, perhaps in the homework room or doing craft or whatever; there would be at least one person outside with children playing games; and the coordinator would be in a roving position, taking care of everything—answering the phone, dealing with parents, putting on bandaids, whatever was required at the particular moment. We are finding that with only two staff present at any one time, and one of those being quite junior, the coordinator is stretched beyond belief. Fortunately, we have a wonderful coordinator but this situation may not always exist. I imagine the job would be too stressful for most people to want to undertake it.

A valued feature of our program has been its flexibility in being able to look after additional children at short notice, particularly on days of high fire risk. We often find that between 10 and 20 extra children might enrol on a day with temperatures in the mid to high 30s. The minimum increase on these days would probably be eight to 10 students. The

flexibility of the program has allowed parents more flexibility in their hours of work, without restrictions of fixed bookings and penalties for increased or reduced attendance through the week.

Our capacity to continue this flexible service has been dependent on access to a pool of casual staff who are ready to work at little or no notice. But these staff are now working fewer hours because of the cutbacks and, in fact, they are less likely to be asked to work at all for the program. Their incomes have been reduced, their prospects reduced, and consequently our ability to retain their services has been greatly diminished. In a small scale operation like—

CHAIR—Could you bring your comments to a conclusion please?

Dr Moore—Yes. We have very few options for cutting our expenditure further. Our outgoing expenses are really only staff salary and a very small amount on crafts and materials and food. We have had substantial fee increases over the last year or two and we are looking at another average fee increase of perhaps 27 per cent to keep the service even remotely viable, and that is with what we consider to be an almost unacceptable drop in the quality of the program.

CHAIR—Thank you, Dr Moore.

Ms Hydon—My centre is located in Broadmeadows, as is the Derek Robson Children's Services Centre, and Maggie Watson indicated some of the issues that are common to our centres.

Our centre has been operating as a community based centre in the Broadmeadows area for over 20 years. Approximately 63 per cent of the children at our centre speak English as their second language, we have about 25 per cent who are diagnosed with special needs of some description, and 91 per cent of our parents are solely dependent on social security payments for their income and are thus recipients of maximum Childcare Assistance.

We are basically catering now for parents who are attempting to look for work and attempting to study. Basically, we have hardly any parents who are actually working. That has actually changed over the last three years. Previously we had a lot of parents who were able to access full-time study and also look for work on a full-time basis, and some parents who were working. However, with the increased casualisation of work, parents are no longer able to commit to having full-time child care of some description. They are unable to afford that sort of child care. Parents are now not able to look for full-time work as they did in the past.

The number of special needs children that we have has also decreased this year because despite the fact that there is a significant amount of money available through SNSS funding—the special needs subsidy scheme—parents simply cannot afford the fees that we have at the centre.

The parents of special needs children that we have catered for in the past have been able to afford child care because it has been affordable, but the \$55 that we now ask the parents

on maximum Childcare Assistance to pay for one child, or the approximately \$100 that we ask for two children, is out of their reach. They are unable to afford to pay that, especially if they are solely dependent on social security benefits.

Some of these parents have children with special needs, which means they are not able to study or not able to work. And even if they were wanting to go to work or study they would need their special needs children to be in some sort of care arrangements to feel that they could go out there and access those sorts of services or look for work.

The recent funding cuts for us has meant an approximate \$20,000 loss in our budget. That has meant that our services have been very much devastated. The parents that we have working on the management committee work very hard to try and figure this out, but some of these issues are beyond them. Most of the people on my management committee have only been to school to Year 10 or else they are speaking English as their second language and so they find it very difficult to understand the management issues that relate to a loss of operational subsidy to that extent.

The daily requirement for parents to have children looked after so they can look for work are not being met by us. Therefore, a lot of parents have indicated to me that they will be going to backyard care and to unregulated care arrangements. I have had numerous conversations this year—and we are only three months into the year—with parents who are really wanting child care but who cannot access it and cannot afford it. Therefore, they are sending their children interstate to be looked after by elderly grandparents, or they are sending their children back overseas to Vietnam, to Turkey or to Lebanon—these are areas that we are catering for—to be looked after by elderly grandparents or elderly parents. Those children are to be returned when they reach school age.

A lot of parents are saying to me they are choosing to put their children in the care of the person who has advertised in the local paper so that they can at least access the study that they require or the work that they would like to get. These care arrangements obviously are going to mean, especially for special needs children and children who are at risk of abuse and neglect, massive problems for us to consider, especially in light of the fact that Broadmeadows is one of the areas in Victoria that has the highest number of reported cases of abuse and neglect of children.

The government's idea of equity of access for child care is certainly an issue for us because no longer is that the case for our parents. They are just not able to access the care that they require, so there is really no equity left anymore.

The other thing I would like to mention is that we have a lot of parents who are choosing to stay on social security benefits. They are saying to me, 'I have options for study and I have options for casual work, but child care is so unaffordable that I am choosing to stay on social security benefits.' They are actively making that choice even though there are other options available to them. They choose to do that because of the economic situation.

That is going to mean that those children stay at home and do not access any early childhood education. If we consider the fact that a lot of these children are special needs children and a lot of these children are from non-English speaking backgrounds, those

children who are not going to access any early childhood education are going to hit the schools without any preschool education at all. That will have a long-term effect. Parents are indicating to me that they will not be sending them anywhere. They will be staying at home and they will not do any early childhood education at all. That has some long-term effects for schools that we have not considered in this inquiry so far. Thank you.

CHAIR—Thank you, Ms Hydon.

Miss Charlton—The Elwood Children's Centre is a 35-place community based, parent managed service. It operates out of premises owned by the city of Port Phillip. We receive a small operational grant to cover the costs of amenities. The centre has been operating since late 1985.

The fee increases on 1 July 1997 of \$25 was as a direct result of the loss of operational subsidy which, for our centre, amounted to \$39,500. Families were forced to bear the brunt of this loss and this resulted in the amount being divided equally among families. The fee increase does not mean a profit for the service; the service remains operating at a break-even point.

The direct impact of the fee increase meant a change in the amount of days used by families, and the centre's utilisation was decreased by six effective full-time places. The number of families using full-time care has decreased by two places, from nine to seven. It is important to note that the families using full-time care are two-parent professional families earning in excess of \$70,000 a year. To date, this has fallen by one to six families using full-time care.

The overall number of families using care has slowly increased, from 51 families in March 1997 to 68 at present. Although this is an increase for our centre, our centre still remains under-utilised and the demand for part-time care has increased.

We provide quality care by employing one staff member over the minimum standard set in the 1988 children's services regulations. We believe that this is imperative to the interactive quality care we provide for our children aged under two. This seems to be a selling point with parents choosing our centre compared to others. I believe it was also a factor in us receiving three year accreditation.

Fee increases seem to have impacted on parents in their desire to work and use their skills. Parents, mostly women, do not have the choice to return to work as the cost of child care makes it not viable and often the wage earned is to subsidise the child care. This has meant that child care waiting lists have diminished. Although this may be a positive, we are concerned about the choice aspects of parents.

Filling current vacancies within the centre is becoming increasingly hard. This is due to parents opting to use care when they return to work and not start their child a few months before as they are unable to afford that luxury. There has been a direct increase in the use of half-day care, from nought to five children.

We are also concerned about the culture mix of our centre, moving away from catering for all socioeconomic groups to providing care only for those who can afford it. This is also a philosophical crisis for the service. We are concerned about where children in the lower socioeconomic groups are going in society and where they will ultimately end up.

Parents are being called upon to participate in fundraising as part of their involvement in the service. Where once the centre had some reserves, those reserves no longer exist to replace equipment and make improvements to the buildings, such as painting. If centres are to remain open, they need to continually improve the facilities as we compete for clients.

Child care workers are lowly paid as it is. To put further pressures on us to cut budget costs, use old, worn out equipment, and sometimes risk our right to obtain professional development, seems to send a clear message that we as professionals, some of us with four years of training, are not respected and are undervalued. Such a stigma will not allow us to gain the recognition we deserve. Direct contact by the coordinator is supported by the service and we believe that this enhances the continuity of care provided to the children by not having to bring in relief staff. As numbers of families have increased dramatically and there are pressures to keep—

CHAIR—Miss Charlton, could you bring your remarks to a conclusion, please?

Miss Charlton—To effectively run the centre, coordinators need to be astute business managers. We ask ourselves, ‘How can we do that with the increased demands of direct contact?’ As a group of professionals, we are concerned about the evolution of unregulated services. The emphasis should be about regulated quality care and education and the provision of developmental programs for young children. Thank you.

CHAIR—Thank you, Miss Charlton. Ms Dodds, are you the spokesperson for the Perry Street Child Care Centre?

Ms Schroeder—We are all going to speak, actually.

CHAIR—You have got about three or four minutes in total.

Ms Schroeder—We will be very fast. Perry Street Child Care Centre appreciates the opportunity to speak to you about our submission today. A number of other staff and parents would also have liked to have attended but the timing of the hearing made that very difficult.

Our centre has always been highly regarded in our community, so much so that our waiting list has been as long as two years. We have also been financially robust, a situation we certainly cannot claim since the cuts have been implemented. Cuts to our funding of \$57,000 annually have forced us to increase our fees and eat into our small surplus and the accumulated provisions that we have been able to achieve.

We have been forced to cut our staffing, reduce training and communication forums for staff, and restructure our centre’s age groupings. We have also been forced to reduce our expenditure on equipment purchases and repairs. All of these measures impact on the quality of care our centre can offer. We have also become increasingly reliant on fundraising

through parents who are already paying dramatically increased fees. Our fees have gone up from \$145 a week in January 1997 to \$175 a week currently.

Due to these increased costs, our centre has lost some families altogether and many families have had to reduce the number of days their children are in care. Some parents have been forced to leave the work force while others have been forced to utilise alternative child care arrangements which are not subject to accreditation processes or regulations and are definitely not their preferred option.

The reduction in funding has led to our director and second in charge having to spend more and more time in the rooms, resorting to completing their administrative tasks in their own time.

We called for our parents to put comments which the rest of our delegation will now read.

Ms Dodds—I would like to read the comments of one of the parents:

I would like to make the point that although we are a low income family we have had to pay the full fee increase in fees at our centre as we already have the full rebate. This is despite assurances from Judi Moylan that low income families would not pay more.

Also, I have a couple of comments from staff. One in particular has worked as a child care worker for the past 11 years and is certainly, like a lot of us, feeling that she is working a lot harder and having to do a lot more and has a lot less job security due to all the child care cuts. A staff member commented:

Since the cuts to childcare many families have sought cheaper backyard care and since our centre is not full, we do not require regular relief staff, I'm starting to worry how long I will have a job for? Now I know the effect of fee increases and changes in the childcare sector on women and their ability and choice to participate in the workforce; if they had a choice, they would certainly work, but the cuts to child care have already made the decision.

Another comment from a parent is:

At the moment with one child in child care, the government pays me \$230 per fortnight in pension and child care assistance, and I pay \$120 in taxes. If I stop work to look after my own child the government will pay me \$340 and I, of course, will be paying no tax. The government is \$230.00 per fortnight better off (with me working). That is the tangible aspect, the intangible being the benefit to me being in the workforce, the overall lift in my morale, self-esteem, confidence and self-worth. After I have my second child will I still be able to afford to go to work? Will I actually be earning money or will it all go in child care? Working on the present scale I will end up with approx. an extra \$60.00 per fortnight. I would seriously have to consider the benefits of staying home and getting money from the government.

CHAIR—If you have any other comments that you have not had the time to put on the record for me, we are more than happy to receive your written submissions to the committee. That applies to all persons who may have felt that their time was somewhat cut. Mr Rosa, do you have any contribution you wish to make?

Mr Rosa—I was planning to read out a couple of other comments from parents, as I am here representing parents in some way. One states:

I think that childcare in my son's centre will be compromised due to continuing funding cutbacks. The childcare workers are stretched to the limit, how can this not affect their performance? Children cause enough stress on their own without the added stress of wondering whether there is going to be enough money this month. You try looking after 10 toddlers all day—I know I couldn't.

I have two and I find them a little difficult. Another comment, which again highlights the impact of the cost cuts, says:

I am the breadwinner, and have a three days a week job. This gives us enough income to get off DSS benefits . . . After regular bills we have \$200 per week to cover food, clothes, repairs and other unforeseen costs. With careful budgeting we can just manage; most weeks. But the cuts in operational subsidy have meant an increase of \$20 per week for our child who attends on the days I work. Although this probably doesn't seem much to a member of the Senate committee, it amounts to 10 per cent of our weekly budget. It means we have to miss out on something else. Some weeks . . . the juggling act of work and child care just does not seem to be worth the stress even though I prefer not to be fully dependent on the welfare system.

CHAIR—Thank you, Mr Rosa. Thank you all for your contributions in this last session.

Proceedings suspended from 1.01 p.m. to 1.36 p.m.

BLANDTHORN, Mr Ian John, National Assistant Secretary, Shop Distributive and Allied Employees Association, 5th Floor, 53 Queen Street, Melbourne, Victoria 3000

HAINS, Mrs Monica Mary, Delegate, Australian Liquor, Hospitality and Miscellaneous Workers Union, 117-131 Capel Street, North Melbourne, Victoria 3051

LYONS, Ms Moreen, Children's Services Officer, Australian Services Union, 1-3 O'Connell Street, North Melbourne, Victoria 3051

MORISON, Mr Anthony, Industrial Officer, Australian Council of Trade Unions, 393 Swanston Street, Melbourne, Victoria 3000

PAPA, Ms Tina, Coordinator, Dawson Street Child Care Co-op, 31 Dawson Street, Brunswick, Victoria 3056

SGRO, Ms Silvana Cristina, Branch Official, Australian Liquor, Hospitality and Miscellaneous Workers Union, 117-131 Capel Street, North Melbourne, Victoria 3051

SKINNER, Mrs Keryn Joy, RMB 1056, Beechworth, Victoria 3747

CHAIR—I welcome representatives from the ACTU, the Australian Liquor, Hospitality and Miscellaneous Workers Union, Victorian Branch, and the Shop Distributive and Allied Employees Association. The committee has before it submissions from your organisations. I now invite you to make a short opening statement and at the conclusion of your remarks I will invite members of the committee to put questions to you.

Mr Morison—Thank you. I would like to put in apologies for the Assistant Secretary of the ACTU, Greg Combet, who had intended to be here today but, due to the waterfront problems, is detained elsewhere. I do not intend to go in great detail over our submission. Rather, the ACTU will call upon some people directly at the workplace, so to speak, to expand on the experiences that they have had as a result of the very drastic cuts that have occurred in child care funding as a result of federal government policy and the direction of that policy.

In very broad summary, the ACTU is very concerned about the policy as it has been implemented up to this stage and the implications of that policy into the future. We are particularly concerned in general terms that the quality of child care has and will continue to be reduced as a result of the policy. We are very concerned about the loss of jobs that have occurred in the child care sector. We are very concerned that the cost pressures that have occurred as a result of the changes have in a number of areas forced down wages and conditions of workers in this industry, an industry that is already recognised as one with low pay for the extent of experience and responsibility expected of its workers.

It is our concern as well that child care fees have increased as a result of these policies and, indeed, that the policy direction has had the effect of developing a position of forcing women out of the work force due to the closing of the gap between the costs and the benefits of child care and work.

Child care centres have clearly closed as a result of the policies. There is less choice and not more choice. Families in our experience, and from our affiliates, are having much greater difficulty in meeting their work and family commitments due to the difficult aspects of the policy. I do not intend to go any further into it at this stage. I will be happy to answer questions of the committee. I would like to hand over to the other representatives here for the ACTU.

Ms Lyons—The Australian Services Union, as a representative of child care workers employed under Victorian local government, is concerned about funding cuts into the community child care sector. The long-term implications of the decision to abolish the operational subsidies to the non-profit child care sector are being severely felt. The problem has been further exacerbated in Victoria due to significant sectors of local government applying the competitive tendering process to long day care.

The loss of the operational subsidy has seen child care fees in Victorian local government rise between three and 30 per cent. The fee increases have created enormous strain upon the long-term viability of the non-profit child care sector. The implications and impact of reduced funding within local government centres have been identified in the ASU Victorian and national submissions before you.

In March 1998 the ASU surveyed Victorian local government long day care centres and found that 93.3 per cent of services responded that they had reported children withdrawn from care due to cost of care; 84.6 per cent of services reported that they had been required to increase their fees in the past six months; 71.8 per cent of participants reported that families were decreasing booked hours due to cost of care; 68.7 per cent of parents were altering working patterns due to cost of care; and 59.3 per cent of parents were giving up work to stay at home to care for children due to cost of care. Child care workers and coordinators who participated in the ASU survey consistently raised concerns around the financial viability of their service and their ability to provide quality child care in the future.

The fee increases necessary since the loss of the operational subsidy in Victorian local government centres directly impact upon the utilisation levels in long day care and 84.6 per cent of participants surveyed in local government reported that the applied increases to their centres had resulted in low levels of utilisation. The average Australian family cannot afford the high cost of child care. Low levels of utilisation continue to place child care services in financial jeopardy.

At the time of the ASU survey, long day care services in local government were experiencing their lowest levels of utilisation in 20 years. In addition to this, child care workers' wages are facing further cutting back as local government employers attempt to reduce financial overheads which have been created since the loss of the operational subsidy.

More and more child care workers are being expected to work longer hours for less money. They are required to sign local work area agreements filed in the Industrial Relations Commission which require these reduced conditions to apply for an additional two or three years.

The low paid nature of child care workers was recognised by the Economic Planning Advisory Commission in its findings in 1994. The commission found that child care workers' wages remain comparable only with those of the semi-skilled work force. These low wages are being wound still further back within local government—80 per cent of child care workers earn less than \$13 an hour, while senior coordinators earn approximately \$17 per hour.

The March survey conducted by the ASU, however, found that 80 per cent of child care workers working within local government hold some form of qualification. The non-profit sector would have the highest levels of qualified workers within their industry. They are providing not just child care but also early childhood development.

Research has consistently found that infants and toddlers with stable care givers, and care givers with training in child development, produce more confident and more self-regulated children in their care; that children in their care receive the direct benefit of trained child care givers.

In closing, the ASU is concerned about the loss of the operational subsidy and concerned at the ability of local government long day care services to continue to be able to deliver quality child care into the year 2000. Already, child care within this sector is not accessible and not affordable for many families. The decline in parents and families being able to afford child care is continuing, and this will continue unless assistance and policies in this area are reviewed.

CHAIR—Thank you, Ms Lyons. Ms Papa.

Ms Papa—I am the coordinator of a child care centre just around the corner. I have been there for 12 years. The effect of the withdrawal of the Commonwealth subsidy has meant that we have lost 13 per cent of our annual income which is almost \$40,000 a year. We have cut staff by seven per cent. We have increased fees by six per cent for full-time users and 12 per cent for part-time users. It is the first time we have ever loaded our part-time fee, so people who come in part-time are actually penalised.

As a result of the fee increases and the reduction in staffing—this was in April last year; we increased our fees before we lost the operational subsidy—we lost 17 families, and 10 families reduced their care. Until last year we had an incredibly long waiting list and were not able to offer people care because there just was not enough. We have very few people on our waiting list now and we are underutilised. We are averaging about 29 places. Ours is a 35-place centre, so we have constantly got vacancies.

We employ some staff on a casual basis. I cover and fill in all those other gaps. Going to a meeting is now a luxury for me because I just cannot leave the centre as, more and more, I am part of the child-staff ratio. Our staff are constantly faced with excessive workloads and are under incredible stress. I have had staff there for almost 10 years, and some of my staff are looking for alternative careers where they are going to have better working conditions.

There is insecurity and lower morale in our centre as a whole. We feel that we are struggling to hold off closure. We have made every economy we can. All that remains is to

further cut the quality of our service and abandon our reason for existence, which is to provide affordable, quality child care for the children in our community. We feel that there is no fundamental commitment to child care in the government. Community centres everywhere in Australia are on a knife's edge. Thank you.

CHAIR—Thank you, Ms Papa. Mrs Skinner.

Mrs Skinner—I am the coordinator of the Yarrunga Child Care Centre in Wangaratta. Anything I say here is my personal belief and philosophy. Our centre is not just a community child care service but a family support. All children in our care are assisted developmentally and many parents also benefit from the role we play. We work in conjunction with other services, such as human services, children's services development officer, speech therapy, and health and maternal care, to best support the whole family.

Many families need child care. It provides a safe place for both children and families. Our location is ideal in that it is a neighbour of the kindergarten, which we cooperate with to enable children to attend separate kindergarten sessions, the primary school is across the road, and the health and maternal centre is within close proximity. We are also on the local bus route. It is a service which is easily accessible within a small community.

The loss of operational subsidy has impacted severely on us. This centre combined with the other council centre to enable us to reduce overheads by creating a single service with two campuses. The other centre is jointly sponsored by TAFE. However, with the loss of operational subsidy and dramatically diminishing TAFE support, the two centres are not currently meeting budget. This has jeopardised the continued operation of a service which has been recognised by the national accreditation council, both centres having received three years accreditation and winning one of the categories of the 1997 regional quality award.

The philosophy of community based centres is to involve parents in their operation and management, promoting a sense of belonging and pride. If one or both of our centres is closed due to financial reasons, the community will be the loser and it will ultimately impact on our children who are the future of this country. My full written statement appears on pages 14 and 15 of the Australian Services Union submission.

CHAIR—Thank you, Mrs Skinner. Ms Sgro.

Ms Sgro—I will just go through a number of points. In terms of the LHMU's experiences, we have seen job losses across the sector, particularly since the withdrawal of operational subsidies. We have seen a reduction in working hours amongst employees, creating a new level of working poor amongst employees who, as has been mentioned a number of times, are already very low paid comparatively. We have seen the quality of care suffer as centres are forced to cut costs to cover budget reductions.

We have seen parents, particularly women, being forced to leave the paid work force or not take up positions they are offered in the work force, simply because the cost of care makes it economically impossible for them to work. We have seen parents withdraw children from care. Many of them are going to unregulated backyard care. Some are having family members look after their children, which, as has been mentioned, can increase stress on the

whole family. We have seen some 20 centres close in Victoria alone and, from information the union has, we anticipate there could be as many as 30 that may consider closing or amalgamating with other centres in their area over the next six months.

In December last year the LHMU, along with NACBCS, commissioned a survey which has been provided to the inquiry. I would like to go through some of the results of the survey. From data we have there are approximately 1,100 community owned child care centres in Australia. We contacted around 1,000 centres in December and had a response rate of 47 per cent, which was quite high.

The major findings of that survey were that 82 per cent of centres surveyed had been forced to increase fees to offset the loss of operational subsidies; 82 per cent had seen children withdrawn from care; 80 per cent had had families decrease the time their children spent in care; 68 per cent had seen parents, usually the mother, alter working patterns to try and reduce the time their children were in care; 46 per cent of centres had been forced to cut staffing levels; 36 per cent had reduced staff working hours; and 32 per cent had altered their centre's age mix of children in an attempt to save money—obviously, the older the children the fewer staff required.

What the survey showed us was that the sector is in quite a level of difficulty in terms of the quality of care and in terms of what is happening to the staff employed in the sector. Two issues are of particular concern to the union. One is that we can count the number of people who may lose jobs but what we cannot accurately see are the number of people who are losing hours—and when you are already low paid, to lose five, 10 or 15 hours a week can be quite devastating. What we also cannot trace is where these children who are being withdrawn from quality care are going. Some, yes, are going to family—we have heard testimony of that this morning. We have also heard testimony that some are going to unregulated care. I think it may not take long before that whole issue of backyard care raises its ugly head.

I would address the senators' attention to pages 18 to 23 of the survey. I think there are some pertinent results in terms of comments from the centres. They include:

Cuts have made it very difficult for working families. We have had to increase fees and people have found it hard to pay . . . To provide quality care with so little gets harder and harder . . . Cuts have made it very difficult—we need help from the government.

Quotes of that nature continue throughout the survey results.

This morning senators heard quite a bit of detail from the Broadmeadows area and particularly from Mrs Watson. Mrs Watson has provided the union with a statement which is attached to our submission.

The union has been provided with a copy of a letter from the Commonwealth Department of Health and Family Services, dated 2 March 1998. From what we understand, and we have no verification of it, the letter was only sent to private centres in Broadmeadows and in other areas. The letter detailed places that were available in specific geographical areas for centres to open up and receive funding. The letter states:

Departmental records show that you currently operate a child care centre or number of services in an area which has been determined to be in greatest relative need for centre based work-related care. Each of these areas has been allocated a specific number of new Childcare Assistance places.

The letter then goes on to encourage the recipient service operator to apply for new Childcare Assistance places.

Broadmeadows has been deemed to require 120 new places.

The point I would like to raise in that respect is that we have heard from two centres, and there is evidence of many more in the area where there is low utilisation, of families from low socioeconomic backgrounds who are struggling to meet the cost of child care. I would question why a Commonwealth government department would offer 120 new places to a geographical area of that nature. As I mentioned before, from what we are able to verify, the letters were only sent to private centres anyway. I wonder why that is so.

There does need to be evidence on how many places are required in specific geographical areas. What also needs to be assessed is the level of capacity for families to access that care. You may have a requirement in terms of demographics for 120 new places in Broadmeadows, but given the high unemployment rates and low socioeconomic backgrounds of families in that geographical area, I wonder whether those 120 places will be filled. Families cannot afford the fees.

Extending from that, the union upon request received a letter from the Commonwealth Department of Health and Family Services dated 26 November 1997. It sets out the requirement for a centre to qualify for the disadvantaged area subsidy. This is another area of concern for the union. A centre is only eligible for the disadvantaged area subsidy if it is, as the letter states:

- (a) located in a town in a rural or remote Statistical Local Area . . .
- (b) more than 10 per cent of the children cared for must be from low and middle income families (families in receipt of Childcare Assistance): and
- (c) a centre must have obtained independent financial and management advice which demonstrates the need for on-going funding to maintain viability.

The irony here is that many of the centres in need are indeed from rural areas. However, many of them are also from metropolitan areas.

Mrs Watson's centre in Broadmeadows literally backs onto a high school which, because of its geographical area, is in receipt of extra funding as it is deemed to be disadvantaged. There are primary schools located very near the centre which are deemed to be disadvantaged and, therefore, gain extra funding.

Because Mrs Watson's centre is not located in a town or rural or remote statistical local area, she cannot receive disadvantaged area funding, even though she caters for children from low socioeconomic and refugee backgrounds who often do not speak English as their first language. This is an area that the union feels needs to be addressed.

It is absurd that a child between the ages of zero and five is deemed not to require disadvantaged subsidies and yet goes to primary school at the age of five and is immediately classed as having access to disadvantaged funding. We believe this ought to be addressed as well.

Going through some of the terms of reference established by this inquiry, the question as to whether there has been a reduction in the quality of services is one that the union has come across often over the last 12 months. It is not possible to have the level of staffing cuts and reduction in hours that we have seen and assume that services and programs will not suffer in terms of their quality.

As has been mentioned on a number of occasions, this is a service-run sector. Most of the costs will be absorbed by staff because they are, in effect, the service. When you replace qualified staff with unqualified staff and replace older staff with experience with 16-year-olds, who only receive 60 per cent of an adult rate, so they are cheaper, it is inevitable that the quality of care will suffer and that children will suffer. We have seen this happen increasingly over the last 12 months.

We are also concerned about what is happening to staff. As I mentioned before, we have seen job losses and reductions in hours. We have also seen centres—both private and non-profit—on a number of occasions close their doors with no entitlements being paid out to staff. They have been forced to walk away with nothing.

For example, we recently had a non-profit centre accumulate a debt of \$60,000. The staff were given a few days notice and asked to work with no pay on the last two days of the centre. They agreed to do so because they were committed to the centre. They worked their two days without pay, in good faith. At the end of those two days, they were then told that there was no funding available to pay out their long service leave entitlements or their annual leave entitlements. We have sought, to no avail, to pursue funding in that regard from the local government and also various other government departments.

We are now seeing, as far as we can tell, that the committee of management at that centre has declared insolvency. The staff have, therefore, become creditors. However, a new centre will open on those premises under a different name and those staff will basically have no legal rights to pursue any funding. We have seen centres do that again and again. For example, two days before Christmas last year, a centre closed its doors and two weeks after that a new centre opened in the exact same position. There was no transmission of business. People's rights and entitlements were not carried across because it had a different business name.

As was mentioned previously, these non-profit centres do not have access to bank loans or other forms of funding unless it comes directly from government. Many of their funding agreements can be complicated. They can stipulate, for example, that the Commonwealth may own the building and the council may own the grounds. When centres close, the committee of management has no rights to any of the assets other than perhaps equipment and toys contained within that child care centre. They have no way of being able to pay out entitlements to staff using any assets that a private centre has. Despite numerous requests from the union and from individual centres, there has been no response from the federal

government. One response could be that the centre has access to the actual centre if it should go into difficulty and staff not receive their entitlements.

One of our members was told in January this year that she would be made redundant. She was given a redundancy package. She had nine years and eight months service with that centre and was four months off long service leave. She was assured—only verbally, unfortunately—that she would be paid out all long service leave entitlements. Enrolments at that centre were particularly low this year so, despite numerous requests and the goodwill and good intentions of that committee of management, she has lost nine years and eight months service because they cannot afford to pay out her long service leave.

Those sorts of issues are raising their head time and time again. They will continue to do so unless something is done to rectify that. I do not want to go into much more detail than that and am happy to take questions.

CHAIR—Thank you.

Mr Blandthorn—The SDA represents 230,000-plus low income workers and their families. Our concern here today is to try to support and ensure that there is equity and fairness in child care funding arrangements in this country, while at the same time a high-quality child care system is maintained.

Like the other union people here, we express grave concern at the cuts that have occurred in child care funding. In particular, we express concern at the cuts that have been made in terms of the threshold where two or more children from a family are in care and at the ceilings that have been imposed on movements for Childcare Assistance arrangements.

Having said that, we support the decision of the government to remove the operational subsidies. Let me say at the outset that we believe community child care centres have played a critical role in the development of a strong high-quality affordable child care sector in this country. That is not in any way intended to denigrate the role of community centres. We support the decision of the government to remove the operational subsidy because that subsidy is inherently inequitable and unfair. It benefits some families who have the luck to have their children in community child care centres irrespective of the income that the parents might happen to have. Those families that do not have that luck to have their children in community centres do not get the benefit of the operation of a subsidy, irrespective of the income of the families concerned.

However, the final result of that decision is that some low income families have been disadvantaged. They have had reductions in their gross disposable income. Low income families cannot afford to be put in that position. While on the one hand we support the decision of the government, we say on the other hand that the plight of low income families must be recognised. Alternative measures must be put in place so that low income families are not disadvantaged as a result of those changes.

I would support strongly the comments of the LHMU in regard to the position of child care workers in the industry. It is something that I would urge the committee to take on board seriously.

Another major area in the SDA submission relates to the child care cash rebate. We have regarded the child care cash rebate as a highly regressive payment. If ever there was an example in the history of this country of not middle-class but upper-class welfare, it is the child care cash rebate. The fiddling at the edges that the government has engaged in has not addressed the issue. If this government is serious about tackling middle-class or upper-class welfare, there is only one option open to it. That is to remove totally the child care cash rebate. We do not believe that, if it is removed, that money should go back into general revenue, but rather it should be redistributed within the child care budget. It should be redistributed in two ways: firstly, it should be redistributed through increased Childcare Assistance payments based on need, and, secondly, it should be redistributed through increases in the home child care allowance.

The home child care allowance is part of the parenting allowance. Over 80 per cent of families in this country, according to ABS statistics, do not use the formal child care system. Many of those families look after their own children. They receive a very small amount of money in comparison to those who have the opportunity to use the formal child care system. Therefore, we would urge that there ought to be a greater recognition of the contribution of people looking after their own children and there should be increases in the home child care allowance.

I would also support the comments of the LHMU in respect of the need for a proper planning system. We have all sorts of inequities in the arrangements for child care in this country because we have not had a proper planning system.

Finally, let me say that in respect of any funding arrangements for the future, they must be introduced in a way that ensures that high quality child care is always available to those who want it. One step towards that is to maintain an effective accreditation system. I am happy to take any questions.

CHAIR—Thank you, Mr Blandthorn.

Senator O'BRIEN—I want to ask Ms Sgro questions about comparisons between the private sector and the not for profit sector. We have had some evidence this morning, although it was not very definite, about child-staff ratios in the private sector. Can you give us some information about your organisation's experience with the application of the Victorian regulations on child-staff ratios between the two sectors?

Ms Sgro—It has been our experience, generally speaking, that the quality of care and staffing, or industrial relations practices, has been much higher in the non-profit sector. What we have seen in the community based sector, generally speaking, has been a much higher level of staffing compared with the ratios in the private sector—that is, they tended to employ more people than was absolutely required.

In Victoria, as was mentioned before, the staff-child ratios are not as good as the national average. The non-profit sector, which has been so concerned with quality of care, has tended to try to reflect the national average as much as possible and have more staff employed than is absolutely required. So there has been a higher level of staff-child ratios.

What we have also found is that people with more experience have been employed in the community based sector. The private sector has tended, where possible, to employ younger people so that they can pay them junior wages. It is not unusual to see 16- and 17-year-olds employed in the private sector because, as was mentioned previously, they are paid much less.

The industrial relations practices that we have seen in the community based centres, that is, the way in which staff are treated, tend to be better. Just the other day—and it was referred to by NACBCS earlier today—the Auditor-General in Victoria released a study into kindergartens and child care centres, both private and community based in Victoria, and the report clearly stated that industrial relations or personnel practices in the private sector were considered to be only poor to adequate. They were not considered to be of a particularly high standard.

When it comes to issues like unfair dismissal, when it comes to issues like breakdowns in communication and treatment of staff, we have consistently found that the private sector operates to a lower standard and is less amenable perhaps to treating its staff as well as the non-profit sector. I am happy to provide specifics about that issue if the inquiry should require it. Ms Hains would like to add a couple of points in relation to that about her centre.

Ms Hains—You were talking about the child-staff ratio, particularly in the community based and the private sector. With the state regulations in Victoria, you only need to have one trained staff for 30 children over three, and one trained staff for 15 children under three. I have been in the industry for a long time and in all the community based centres that I know where there is a 0 to one-year-old age group and a one- to two-year-old group you will always have a trained staff member for each group.

I do not know whether that happens in all the private sector centres as it is not mandatory to have that trained person in all groups. As long as you have the two trained people for the one to 30 ratio and the one to 15 ratio, that meets the regulations. I think that is quite an issue. That is probably why the community based sector does, perhaps, cost more than the private sector.

Senator O'BRIEN—Is there any other difference in Victoria between the community sector and the private sector?

Ms Sgro—No, they are both covered by the same award now.

Senator O'BRIEN—In terms of the qualified staff ratio, I think you have answered that. Is there any document which is available which sets out the difference between the regulation minimum between the states? Perhaps you can take that on notice. The national organisation might be able to—

Ms Sgro—I am happy to provide that documentation.

Senator O'BRIEN—Okay, thank you.

CHAIR—Thank you, Senator O'Brien.

Senator PAYNE—Mr Morison, my question relates to the ACTU submission to the inquiry. Could you tell me whether the ACTU supports the reintroduction of the operational subsidy?

Mr Morison—Yes, the ACTU does support the reinstatement of the operational subsidy.

Senator PAYNE—In terms of the other people who appeared with you today, does the ASU support the reintroduction of the operational subsidy?

Ms Lyons—Absolutely.

Mr Blandthorn—I am not aware of any ACTU policy where that is stated. It might be very well for Mr Morison to say that but I would question whether in fact that is ACTU policy. I say that as a major affiliate of the ACTU.

Senator PAYNE—Thank you, Mr Blandthorn.

CHAIR—We might ask Mr Morison to provide the committee with ACTU policy on child care.

Mr Morison—I am certainly happy to do that.

CHAIR—I know there used to be a policy when I was around.

Senator PAYNE—Mr Chairman, I was referring to the ACTU submission and item 5, ‘Background,’ in relation to Congress 97, and I related my question to point 5.5 which refers to ‘adequate and equitable government funding which ensures access by all sectors of the community’. But because it did not refer to the operational subsidy, I sought clarification.

Senator SYNON—I have one question which could be directed to both of the providers who are here today. It was a question that I was going to ask of the panel before lunchtime but we ran out of time. There has been quite a bit of discussion this morning regarding the size of child care centres and their viability. Do either of you have a view as to what is an optimum size for a child care provider, private or community, that would ensure its viability? What is your experience?

Ms Papa—Our centre is a 35-place centre. We are extending it to 45 places because they are saying that it is going to be more viable. A lot of documentation has been around saying that 60 places is viable.

Mrs Skinner—That is why I mentioned in my submission that the centre that I am at is a 35-place centre but we have united two campuses under one service. That enables 85 places but at two separate locations, and that helps to reduce overheads. It is like anything: there are choices. I would work at a 35-place centre and find it very homely, an extension of the home environment.

Senator SYNON—Yes, that may well be, but it is not much of an extension of a home environment if it ceases to operate.

Mrs Skinner—No, but by combining with another centre—

Senator SYNON—Sure, yes, that sounds very sensible. Thank you. Ms Sgro, in your evidence you spoke about centres that closed down without having any assets to pay staff entitlements and then re-opened. Were they private centres?

Ms Sgro—Both. We have seen it both in the private sector and in the community based sector. We have seen examples of where committee of management centres have closed down and a private centre open up in that building. We have seen it in both instances.

Senator SYNON—But the two that you referred to—were they private or community?

Ms Sgro—One changed from a committee of management to private. The other has not opened yet but we anticipate it may open as a committee of management centre.

Senator SYNON—So when you say it went from a community to a private, it may be just that a private operator bought the facility and licence. Is that right? I was concerned when you said it shut down and closed again two days later. Was that a community provider that you were talking about?

Ms Sgro—I gave a number of examples. There was an example of a centre that closed just prior to Christmas. Was that the one?

Senator SYNON—Yes. It opened again after Christmas.

Ms Sgro—Child care centres tend to close over the Christmas period, so that was why it shut down for that period. It closed two days before Christmas and then opened two weeks later, when most child care centres reopen.

Senator SYNON—As a different centre though?

Ms Sgro—Yes.

Senator SYNON—And did not provide entitlement to its existing staff?

Ms Sgro—No. There was no requirement to because there was no transmission of business and, therefore, people—

Senator SYNON—Did it go from a community to a private centre?

Ms Sgro—Yes.

Senator SYNON—It did?

Ms Sgro—Yes.

Senator SYNON—Thank you.

Senator NEAL—Ms Lyons, I would like to talk to you about child care within the local government sector. Obviously they are community based and would have some of the same financial difficulties as other community based centres. What has been the general response of local government sponsoring bodies to the financial difficulties being faced?

Ms Lyons—There has been a variety of responses. The major theme throughout local government is stripping back of child care workers' conditions of employment. The child care budget within local government mainly carries a deficit. With the competitive tendering component of local government at the moment, child care workers are approached and it is explained to them that unless they strip down conditions to what the particular management wants they will be put to competitive tendering; and, if they go to competitive tendering, with the specifications for that, they will not meet a break-even budget so they will not win the bid and will be dumped off.

The alternative is, 'You agree to this list of demands that we seek and sign a two- or three-year local work area agreement.' Those are the choices that child care workers are normally given. Or, in a case that happened just before Christmas 1997, child care workers were approached by Wyndham council and asked to reduce a whole shopping list of conditions and wages. When child care workers did not agree to strip back their wages and conditions of employment, the council ceased provision of that service on 24 December and all of those workers were made redundant. So child care workers, even as low paid workers and highly qualified workers, have to make the choice of having a job or working for less money. There is no choice, basically.

Senator NEAL—Is that occurring Australia-wide or is that mainly in Victoria?

Ms Lyons—Competitive tendering has only been applied in Victoria so far, so that kind of scenario, where they are locked into legislated outcomes, is a major problem in Victoria.

Senator NEAL—Outside of Victoria, are there some local government authorities who are actually subsidising their child care facilities?

Ms Lyons—Yes, there are. It would be consistent throughout all the states. There are some councils within Victoria that are continuing to subsidise. In effect, most of them are holding some kind of subsidy because very few of the services run on a break-even budget since the loss of the operational subsidy. The difference is how councils are dealing with that: whether they are prepared to float that for a length of time, whether they want conditions brought back or whether they are going to remove themselves as a provider of the service. Different councils are approaching it with different philosophies.

I am getting the impression quite clearly in dealing with councils that anywhere where there are subsidies or there are not break-even budgets, they have no intention of carrying services past the year 2000. I would imagine that a good 50 per cent of the current services are in serious jeopardy past that point.

Senator NEAL—I might ask Silvana Sgro about the planning. I was interested in the attachment to your submission. The example was just addressed 'Dear service operator' and was asking if people would like to apply for Childcare Assistance places. In your submission

you say that this was only received by private centres and not by community based ones. Is that correct?

Ms Sgro—As far as we understand. We were approached by a number of private centres in the Broadmeadows area. We then approached a number of community based centres in geographical areas nominated here. None of them had received any of this documentation. There may have been some non-profit centres who were sent this. But, as far as we understand, none of the ones that we have spoken to received this documentation. We tend to have access to responses from the non-profit sector more than the private sector, although the proprietor from the private centre in Broadmeadows who provided us with this documentation was sufficiently concerned that she sent it to us.

Senator NEAL—Has the union been directly involved in the planning process for the 7,000 new places?

Ms Sgro—On a national level we have certainly had input into government policy as much as we possibly can. We have sought meetings and obtained meetings with ministers, and so forth. We have approached government departments as to what we think ought to happen in terms of planning. It is our view that what needs to happen is that funding needs to be restored, particularly to community based centres, so that existing places can be adequately filled and utilisation rates brought up to standard. In terms of this approach, we have made many comments on the whole structure of the planning, and I am happy to provide documentation about that. In terms of the actual planning, we obviously have a limited capacity to tell government where they should fund places geographically.

Senator NEAL—It is just that there are, ostensibly, area planning committees operating and I was wondering if the union had been involved in that at all.

Ms Sgro—Not specifically in Victoria.

Senator NEAL—Has anyone else been involved in that process at all?

Mrs Skinner—No.

Ms Papa—No.

Senator NEAL—Has anyone received any advice about community based versus private centres being offered new Childcare Assistance places?

Ms Lyons—No.

CHAIR—Mr Blandthorn, in your submission from the SDA you referred to a survey conducted by the union of its members. On the issue of this divide that apparently exists between private sector operators and community based centres, have your members expressed a preference for either? Secondly, have they expressed any order of priority in the type of care they seek in terms of the private sector, the community care sector, or what has been referred to as the unregulated home system?

Mr Blandthorn—The survey that we conducted of our members indicated, consistent with ABS statistics, that approximately 80 per cent—indeed, with our survey it was 84 per cent—utilised informal care arrangements. Informal care arrangements clearly covered a range of provision types, one of the main ones being, of course, family care. The survey indicated that many people chose family care for economic reasons, but they also chose family care on many occasions because they were more comfortable with somebody they knew, and who they believed knew their children, looking after their children.

That is why we have stressed in our submission that, apart from providing adequate Childcare Assistance to low-income families utilising formal care, there also needs to be proper recognition given to those families who choose to utilise their own family arrangements to care for their children. At the moment, I do not think anyone could say that the home child care allowance compares favourably with the level of Childcare Assistance. We do not argue that there should be a parity of payment, but the home child care allowance is approximately one-third of what the Childcare Assistance is per week. That, we would suggest, is inequitable and does not properly recognise the contribution made by parents caring for their own children.

CHAIR—Thank you, Mr Blandthorn. As there are no further questions, I thank the representatives from the various unions and the ACTU for attending today.

[2.36 p.m.]

BLACK, Ms Anne-Michelle, Children's Services Coordinator, City of Darebin, High Street, Preston, Victoria 3072

BROWN, Mrs Annette Therese, Children's Services Resource Officer, Strategic and Community Support, Maribyrnong City Council, PO Box 58, Footscray, Victoria 3011

CLARK, Ms Joanne Margaret, Family and Children's Services Development Officer, Casey City Council, PO Box 1000, Narre Warren, Victoria 3805

COFFEY, Ms Helen, Coordinator, Flemington Child Care Cooperative, 53 Wellington Street, Flemington, Victoria 3031

JOHNSTONE, Councillor Elizabeth Jean, Port Phillip City Council, and Board Member, Municipal Association of Victoria, Milton Parade, Malvern, Victoria 3144

McMAHON, Ms Kaz, Childcare Centres Manager, City of Moonee Valley, PO Box 126, Moonee Ponds, Victoria 3039

MERKUS, Ms Jenny Eunice, Director, Social Development, Moreland City Council, 233 Sydney Road, Brunswick, Victoria 3056

MERTINS, Ms Antoinette, Manager, Social Policy and Planning, Moreland City Council, 233 Sydney Road, Brunswick, Victoria 3056

SHAND, Mrs Nicole Louise, Child Care Coordinator, Casey City Council, PO Box 1000, Narre Warren, Victoria 3805

WILLS, Ms Jennifer, Director, Social and Cultural Policy, Municipal Association of Victoria, 11 Milton Parade, Malvern, Victoria 3144

CHAIR—I welcome representatives from the Municipal Association of Victoria, Moreland City Council, Maribyrnong City Council, the city of Moonee Valley, the city of Darebin and the city of Casey. The committee has before it submissions from your various organisations. I now invite you to make a short opening statement. At the conclusion of your remarks, I will invite members of the committee to put questions to you.

Councillor Johnstone—I would like to thank you for this opportunity today. I think you can see that local government has a strong commitment to, and a strong history of involvement in, the provision of accessible, affordable and high quality child care, and this has been as a result of a longstanding partnership with the Commonwealth government for some 20 years now. It is that partnership and that shared commitment that we feel is at risk, owing to some of the changes that have been made to the way in which child care is funded, and our submission draws attention to some of those changes.

I will not go into the detail of the submission; you have that before you and it has been read. Impacts of the changes are what we would like to focus on. We are concerned that our

role, which is basically enshrined under the Local Government Act to ensure the orderly and proper planning of services for the community, has been jeopardised and compromised by some of these changes. We are responding to centres that are at risk, to centres that are closing, and to centres that used to have waiting lists but that no longer do. We are not actually able to ensure, in the current climate, that the services are where they should be and that the standard of care that is being offered to the community is at a price that they can afford.

It is probably best to ask Jenny Wills at this point if she would like to raise some detail from the submission. We have agreed that we are quite happy to take it as a question and answer forum and to respond to your concerns, as the issues will come out as we go along.

CHAIR—Is it the case that the individual councils do not wish to make a brief submission highlighting particular points?

Councillor Johnstone—They would like to make an introductory comment, but not to take too much of your time.

CHAIR—Understood. Ms Wills, do you wish to make a comment?

Ms Wills—I would like to add to what Councillor Johnstone has said in relation to the present predicament and thus make sure that the members of the inquiry are aware of the current situation facing Victorian councils. Although there is a major contribution made by many of the councils to children's services and to other human services, following amalgamations and the restructure of local government, the financial situation is one of rate capping. The ability of councils to be able to put further financial resources in, by way of solving the problems that we are currently confronting, is no longer a tenable proposition. The councils, as you will hear, have been undertaking work to help to plan and design a way out of some of the current crises, but it is not from a position of further financial contribution from most of the councils within this state.

CHAIR—Thank you, Ms Wills. Ms Merkus is next.

Ms Merkus—I would like to make some key points about Moreland. Fees have increased by approximately \$20 per week as a result of the operational subsidy funding cut, and this means that families are paying approximately \$65 per week in gap fees. This has had a significant effect on affordability, and we are now experiencing underutilisation in some centres as a result of this. Prior to the changes, there was a waiting list of approximately 18 months for child care places, especially for the age group from nought to two years.

We would urge a planned approach to the development of child care places and some subsidy from the Commonwealth, especially in lower income areas, where private centres may not locate. In Moreland, we have actually tried to increase the viability of some centres by injecting some capital works, but we will be unable to do this in the future: we will not be able to put in any operational subsidy nor to bail centres out. There are real concerns about viability in the future.

CHAIR—Thank you, Ms Merkus. Mrs Brown is next.

Mrs Brown—I will talk about some of the impacts on our families within the city of Maribyrnong. I will start by pointing to some of the socio-demographic patterns in our area. We have the lowest index of socioeconomic disadvantage in Victoria, which means that because of our residents' level of unemployment, lack of school qualifications and failure to finish secondary school, low individual and family income and accommodation are greatly affected. Nineteen per cent of all our families are single parent families; 27.2 per cent of households receive a weekly income of \$299 or less; 21 per cent of the population are either pre-school or school-aged residents; 48 per cent of our population speak a language other than English at home, with 40 per cent being born overseas; and 25 per cent of our population do not own cars, and that affects mobility across services within the municipality.

Affordability has become a big issue over the past two years for our families. Fees have risen from \$130 per week to \$165 on average amongst our community based centres. Services are feeling the effects of this and are finding it very difficult to help keep families within their centres. Underutilisation of places has forced two centres to close, and family day care equivalent full-time places have dropped by 40 places, which means that we have lost 100 equivalent full-time places in the city of Maribyrnong.

Many families who have left child care are those from the lower income level and, while the charter for community based services is to meet the child care needs of the local community, Maribyrnong is failing to meet our families' needs. Trends are indicating that child care is becoming a luxury rather than addressing a need in our area. A number of families have expressed concern that they can no longer afford to work or study, because their child care costs are too high. Children of families at risk have no hope of accessing services, because they are intimidated by the high fees.

Usage trends have been changing over the past two years, with many families using part-time care. These employment trends have been contributed to through the government creating part-time job placements schemes and retraining programs, but it has not assisted services to cope with current placement demands, as administrative support and other functions of workers in the child care industry have increased dramatically. Thank you.

CHAIR—Thank you, Mrs Brown. Ms McMahon is next.

Ms McMahon—Our submission will be in two parts, with Helen Coffey representing the community long day care centres as well. The city of Moonee Valley feels that this Senate inquiry needs to consider not just the loss of the operational subsidy but also the context of that loss, with the loss of the dependent child rebate, the freeze on the rebatable fee, the means testing of the cash rebates scheme, the uncontrolled growth of the private sector, the state government's direction in relation to compulsory competitive tendering, and rate capping.

Each of these changes for our council has resulted in fee increases to parents. The real impact of these increases and the funding cuts is being felt particularly this year within our services. Three of the four long day care centres that I manage have a waiting list of only three to 15 people. Three years ago, we had waiting lists of between 50 and 100 people. Three of the four long day care services that I manage have vacancies across all the centres. There has been an increased amount of part-time care and, particularly at the moment, there

are vacancies on Mondays and Fridays, one service having 15 vacancies on a Monday and 16 on a Friday. These vacancies are just impossible to fill.

There are only two services in our area that are operating at maximum capacity. They are two community based centres—the only community based centres in each area or suburb—and 95 per cent their clientele are double income earners: semi-professional and professional people. Our occasional child care centre has noticed a change in clientele over the past two years. There has been an increase of families who are shift workers, with one parent dropping the child off in the morning and the other parent finishing a shift in the early afternoon to pick up their child. The other workers are casual workers and part-time workers who are working shorter hours throughout the day.

Council made a considerable increase in its contribution to the child care sector when we lost the operational subsidy. That contribution cannot continue. Next year, whilst we are working through budgets, there will be more fee increases for parents. Of the community based centres, one of our 50-place centres is operating with 22 equivalent full-time places. We have another, 60-place, service that only has 39 equivalent full-time places being utilised. We have an organisation that has two small child care services but is currently operating only one.

All services experiencing the most difficulty are the ones within the lower income earning communities within the ministry of housing estates. The major concern we have is that the quality of child care will no longer be available and affordable to low income earners. The most vulnerable people in our community are becoming more isolated and are going to be further disadvantaged than they are now.

Ms Coffey—The Flemington Child Care Co-operative is a 30-place centre. It is a small independent, parent committee management-run centre. We feel that we are balancing on a knife edge of cost and quality. We are an example of a high cost centre. We are only surviving because our fees are so high. Our fees, at the moment, are \$185 per week or \$37 per day. We are fortunate to be supported by parents who are interested in the cooperative model of child care and who are more able financially and willing to tolerate high fees. We have survived while many other centres in our general area have closed.

Over the past two years, our permanently booked numbers have declined from about 30 to 27. Full-time places have declined by 60 per cent from 13 places to six places. We have many more part-time children and these children are noticeably attending the centre for longer days. In 1996 we had 24 families receiving childcare Assistance and 12 of these had assessment levels of over 80 per cent. Now we have 15 with seven over 80 per cent. Our waiting list has declined by about 75 per cent in the same period of time. Administration time has declined from about 35 hours to 11 hours and administration requirements have increased.

We do not have financial resources for the extensive maintenance and many other things that we really should be able to carry out. Our major costs are staffing and cutbacks in this area would profoundly compromise the quality of care. The issues facing us at the end of this year are the issues that have affected all the centres that have closed so far in the past year.

Ms Black—The city of Darebin has also experienced the under-utilisation that other services in other areas have referred to. One of the issues in our large inner urban municipality is utilisation that falls because of our declining target age group of children. Over the period 1985-1995, which had the greatest growth in the children's services program, our percentage rate dropped two per cent for children in the nought to five category. The city of Darebin experiences one of the highest levels across the state—and, I think, nationally—of child care places per 1,000, at 411 places per 1,000.

Under-utilisation has certainly been increased by changes to the current policies. For the city of Darebin, under-utilisation is often a matter of not enough children to fill available spaces. Those figures were brought together because the city of Darebin proactively went out and sought research advice, at the budget changes of 1995, as to how we could best cope. Since those figures were brought together, we have had a number of new services operate. In the time since the government announced capping of growth, we have had two new services open that each provide 100 child care places. Utilisation is a major issue.

The city of Darebin has taken a slightly different approach to other areas in its way of assisting services to overcome the problem of under-utilisation and the financial burdens that arise because of under-utilisation. We have developed what we see as a community development model. We are continuing to put our resources into children's services, but we are choosing to share them more equitably across all services. We have previously confined support to some services and we are now sharing across all services. As part of our community development model, we have developed—

Senator NEAL—Are these all children's services or all community services?

Ms Black—All children's services, yes. The private sector does have a role to play in the Darebin children's services model. The major feature of the model is providing competency based training that we believe fits in with the government's national training agenda to children's services workers to improve the quality and therefore make services more marketable. But we have gone one step further, and we are providing training to committees of management to help them learn to operate as small businesses and to become more viable in that way, and that was a two-pronged approach.

It is absolutely essential, firstly, that those people who have the management of services are supported in that and, secondly, that those people who are involved in the management of the services, who certainly move into that area for love of their children and for the advancement of their children, actually get some reward. A committee of management now in the city of Darebin will walk away with some credentials that can perhaps be articulated into other business management qualifications.

So we are in the early stages of our new model. We have developed an incorporated association, and we have brought together preschools and children's services. We have acknowledged that education and care are interdependent and as such are inseparable, that for the sector to actually survive there has to be a more cooperative approach in working together and that, rather than competing for clients, people should be working to provide the best quality service for all clients.

It is important to say that underpinning the major principle of what we did was the UN declaration on the rights of the child principle of best interests for children. We said that every child in the city of Darebin who used our services, regardless of how or where they used them, was entitled to quality, affordable services available on an equitable basis and to help provide that we were going to resource those people who were providing the service. I am happy to answer questions.

Ms Clark—I am from the city of Casey. Whilst at the city of Darebin they are saying, ‘Where have all the children gone?’ I can tell them that they are in Casey. Twenty-five per cent of our population is under 12 years of age, so we certainly do not have a problem with demand for child care. In fact the Commonwealth, in their identification of high needs areas, has included the Berwick statistical area and the Cranbourne statistical area as high needs areas, and that takes in the whole city of Casey.

However, since the federal government changes to operational subsidy and the Childcare Assistance changes that have been phased in over the last 18 months, we have seen dramatic reductions in the utilisation levels of child care centres. It is quite clear from our data that those changes came into effect from when our fees went up. It is a correlation statistic, but I think that it is a pretty good indicator of a causal effect.

The other issue for the city of Casey, because we do have a lot of children out there, is that families are using a range of services to meet their child care needs. Usually they have a child in long day care and a child in school-aged care as well. The introduction of Childcare Assistance to school-aged care programs will greatly assist our families; however, there is still an anomaly with the school-aged care programs being isolated.

When the family has their assessment done by Centrelink and gets their letter back which says, ‘Your Childcare Assistance is payable on a one-child percentage, a two-child percentage or a three-child percentage,’ that is only if they are using long day care or family day care. If they are using school-aged care, they separate them out. In other words, if you have a four-year-old in long day care and an eight-year-old in school-aged care, both your fees are calculated using a one-child percentage. Obviously that disadvantages families who are choosing care based on the needs of their children rather than on how they can package their child care to get the most affordable fee.

If they put them both into family day care, for example, they get the two-child percentage applied to their fee, so they get a higher rebate from the Commonwealth government, whereas if they put one in school-aged care and one in long day care, they get a one-child percentage applied to both children and receive a lower rebate. It just seems that there is no reason for that to happen.

The other issue for us is that we have some vacation care programs operating in the city of Casey that were block funded under the state grants. That started a long time ago; they have been around for ages, but we have not as yet received confirmation from the Commonwealth that those programs will be eligible for Childcare Assistance, although we have received confirmation from the Commonwealth that they will not be receiving any operational subsidy. We are still awaiting that information from the Commonwealth.

In Casey, clearly the changes in fees resulting from the change in Childcare Assistance and the removal of operational subsidies has severely impacted on our utilisation. In my submission I provided you with the contrast from last June to this January and I can tell you that the current figures which I got today for the period to March show that the decline in utilisation continues. We do not know what care arrangements these families are making.

Utilisation in our family day care program has also declined dramatically. We operate the largest family day care scheme in Australia. We did not start operating the largest family day care in Australia on a whim; it was created because the demand for care was there. Those children are not there now and we do not know where they are.

CHAIR—Thank you, Ms Clark.

Senator PAYNE—Councillor Johnstone, in the recommendations at page 9 of the MAV submission, item 7 says:

That financial support and assistance by the Commonwealth be reintroduced to the public sector, for example management back-up of \$10,000 per year to support community providers.

Do you mean \$10,000 to each community organisation providing child care in a community centre? If not, what do you mean?

Councillor Johnstone—The intention here is to try to ensure that the community responds to meet the need for child care places in areas where the private sector may not be establishing. I do not know that it would be a blanket subsidy but I do believe it would be targeted into the high need growth areas where, as we have heard in the city of Casey, the socioeconomic information suggests that the private sector is not really interested in responding.

Senator PAYNE—I am not sure that really answers my question. If you go to the high need areas like Casey that you are talking about—

Councillor Johnstone—Then it would be per centre.

Senator PAYNE—You mean \$10,000 per centre. To do what?

Councillor Johnstone—To maintain an affordable level of fee. Essentially, we mean the \$60 or \$70 per week gap between where the Childcare Assistance cuts out and the weekly fee. That gap is prohibitive. Simplistically, you could say that the supply and demand are nearly matching, that these changes have been successful, but the reality is it is the lower income families who are no longer able to access child care. Most of the measures that the MAV have put forward as solutions are intended to try to ensure that lower income families are able to access high quality child care. I might ask Jenny Wills if she would like to elaborate.

Ms Wills—There is, as Councillor Johnstone says, the issue of quality in the services. We feel that we are now facing loss of quality. Therefore, any subsidisation would be utilised in ensuring for each centre that they are able to maintain and develop quality

standards. As well as the level of fees there is the question of the operating costs for each child care centre. The use of that money would be determined by the centre to make sure that they could continue to develop high quality services.

Senator PAYNE—From the perspective of the MAV then, how would that be equitable for services that were not receiving the \$10,000?

Councillor Johnstone—It is not the equitability of being eligible; it is the equitability of the application of the money that is probably where our energy would be focused. Cost structures are not equitably distributed across child care centres. Incomes of families within a catchment area are not equitably distributed across child care centres. What we are saying is that whereas planning used to be done by all staff in the room, it is now being done by one staff member because excess staff capacity in a low income area is marginal. The staffing structures are marginal because of the need to keep costs and fees down. That is where we need to be targeting.

We have not thought through the mechanism by which those assessments would be made. A small centre might be a high quality centre; it does not mean it is not viable. At some point we have to look at cost structures, the quality of care, the barriers that are preventing local communities accessing that care, and work out a mechanism by which that could be applied.

Senator PAYNE—I was interested in the earlier evidence in relation to what the council of the city of Darebin is doing with the Children's Services Association. Do you have a view on that from the MAV perspective? Do you think other councils should do that?

Councillor Johnstone—I think that is entirely consistent with local government's role in quality planning for a range of services to meet community need. Most local government areas would like to be as proactive as Darebin is being. The reality in some local government areas is that they are on the back foot. The changes to some extent and the impact of those changes has overtaken the planning process.

Local government will respond in a number of different ways. In the city of Port Phillip, for instance, we are maintaining our commitment to our child care centres. But rather than it being a blanket commitment, we have done a needs analysis of the community and now we are targeting our \$300,000 per annum so that it actually helps people maintain access to affordable child care. I would like to make it known that I am quite happy for everyone to add comments.

Senator PAYNE—I do not know if we have time for everyone to comment. Can I just ask one more question, Mr Chairman, which relates to the submission from Moreland City Council. Under item 4 in your submission you say:

Fees have increased by an average of \$20 a week across Moreland since the removal of this funding which had enabled these centres to run at a reduced cost for parents.

My general understanding is that prior to the removal of operational subsidies, community centres charged, on average—so I do not necessarily include you in this—only about \$2 per

week less in full-time fees than private centres, averaged out, that did not receive the operational subsidy. Could you tell me what Moreland's fees were before the removal of the operational subsidy, what they are now and how they differed from private centres in Moreland?

Ms Merkus—Fees varied from \$135 a week to approximately \$150 a week per child. So there has been a significant increase as a result of the removal of the operational subsidy. It is not just the loss of the operational subsidy; under-utilisation means that the parents who are now using the centre have to have their fees increased to keep the centre viable.

Senator PAYNE—You have specifically said that the operational subsidy:

. . . enabled these centres to run at a reduced cost for parents . . .

Can you indicate to me what your comparison is when you call that a reduced cost—for example, local private centres?

Ms Merkus—I am fairly new to Moreland so I will let Antoinette Mertins answer if I cannot. Most private centres operate at about \$160 to \$165 a week and the community based sector was operating at a slightly reduced rate from that. I think it was about \$140 to \$150.

CHAIR—Councillor Johnstone, just pursuing the first issue that Senator Payne raised, did I understand you to be arguing for some form of restitution of the operational subsidy, and perhaps targeted for low income earners within defined geographic areas? Was that the thrust of your comments?

Councillor Johnstone—The community would love to see an operational subsidy reintroduced, but I do not know that that is particularly practical. A blanket subsidy that is applied would not be effective. In essence, what we are trying to say is that there are some barriers to the establishment of child care services in some areas. Local government no longer has the capacity to simply respond to that. Its role is in planning and facilitating. It does not have a spare \$300,000 to go and build a centre. The not for profit community providers are more likely to establish services in those areas than the private sector. We are looking for ways to help to encourage them to establish services, and to continue to provide services, in those areas.

CHAIR—So if the government wants to reinstitute some form of the operational subsidy, you would suggest it should be targeted?

Councillor Johnstone—Yes.

CHAIR—Thank you.

Senator NEAL—You probably followed the discussions that we had earlier about the additional 7,000 places per year that are being allowed through the planning process at the moment. Did any of your child care centres receive letters offering new places or suggesting they apply for new places?

Ms Clark—In the city of Casey, because our utilisation levels are low, although we are certainly eligible to apply for new places, we really do not feel we can do so if we cannot fill the places we have got.

Senator NEAL—That is obviously quite reasonable, but I was wondering whether, assuming that some of you come from those high need areas—

Ms Clark—The whole of Casey is in that area.

Ms Black—I understood that the decision in regard to the 7,000 places was pretty much made at a state office level and that it was probably made at the last planning process that actually occurred more than 18 months ago.

One of the concerns that we would all have as local government representatives is that local government is a provider of services. It certainly is a major landlord of services. Many community services that are known as community based services are actually based in local government premises where local government has responsibility for the maintenance and what have you. We would all say that one of the strongest points we would like to make is that local government should have a role in the planning of future development. All of us would say that in the latest allocation across the board, we have not had that role and we have not been invited to have it. We have in years gone by, so it has been possible.

Senator NEAL—It varies. I must say my understanding of the geography of Victoria is not brilliant.

Ms Merkus—I will give you an example. It is not one from Moreland; it is one from where I worked before, in Maroondah. We were deemed a high need area. In the two years I was there we had absolutely unfettered growth of private child care places. That meant that we had an oversupply and severe under-utilisation in both community based and private child care centres. This was as a result of having no planning model for the growth of child care facilities, especially from the private sector. I would urge that a planning model gets looked at again and that needs are identified in partnership with local government to ensure that we do not have that sort of market failure happening.

Senator NEAL—There is presently a planning process that the government introduced, largely with the support of the opposition. What I am concerned about, and it is the reason for my question, is whether local government has been involved in identifying those high need areas and whether community based centres have been given the opportunity to provide those additional places in areas that are of high need? That is really what I am trying to find out.

Ms Clark—The city of Casey is identified in the Commonwealth planning data as a high needs area. It is based on statistical areas. The statistical areas of Berwick and Cranbourne are in the city of Casey. It is a high needs area. However, due to the fact that we cannot afford to continue operating centres that are not being fully utilised, or at least being reasonably utilised, we were not in a position to apply for increases in places.

Senator NEAL—Would you say that there is some problem with the planning process if those two areas have been identified as high need areas and areas where new places should be, but you are telling me there are presently existing centres in those areas that are not being fully utilised?

Ms Clark—I am not saying there is something wrong with the planning process. I am saying that the families cannot afford the child care. The planning data is based on the number of children and the work force participation rate. The children are there in the city of Casey. But since the government has cut the operational subsidy, made changes to the Childcare Assistance rates and capped the ceiling for Childcare Assistance, families have walked out of formal child care. They have just left services—not just community based services but private sector services as well. They cannot afford the fees.

Senator NEAL—I understand that. So, essentially, what has been utilised as a way of containing demand is price rather than any formal planning process. Essentially, what you are saying is that the planning process is no longer necessary because the demand has been controlled by price increases.

Ms Clark—The demand has been capped, if you like, by price increases. What I am concerned about is that we have families who are still participating in the work force and making child care arrangements outside the formal sector. We do not know what they are; we do not know how stable they are; we do not know how long they will last.

Casey is also a mortgage belt. We are in an environment of low interest rates and that also has an impact on the demand for child care. When interest rates are high, more families have to have both parents in the work force, so the demand for child care goes up. So we have two issues going on in Casey. One is affordability—not being able to afford child care when you have got a mortgage to pay and everything else. The other issue is that, with low mortgage rates, some families are moving out of the work force because they can afford their housing without both parents participating. If housing mortgage rates change, those families may well have to move back into the work force, and the child care places will not be there anymore.

Ms Wills—Senator, I would like to make a comment in relation to your query. As has been indicated, at the local level councils are involved in local area planning, which looks at a whole lot of factors, but, importantly, at both the public and the private sector provision. The difficulty that we have with the current so-called planning framework is that it is not being looked at comprehensively.

The MAV has suggested to the Commonwealth that we would be interested to work on a planning protocol which would bring together the Commonwealth, the private sector organisations and the councils to look at the future growth of child care within the state. It has initially done some work with our physical and social planning staff in local government. But the Commonwealth has not been receptive to that, so the approach will continue where you are looking at the community based, not for profit services quite separately from what is happening in relation to the private sector.

It is very important that service development is dealt with very much at the neighbourhood, the micro, level. In some areas, we are talking about very big municipalities. So talking about the development of a centre or centres within a municipality without looking at the actual neighbourhood location could mean that we end up with services based around the corner from each other, and therefore we add to the unviability of child care within the state.

Senator NEAL—Would you be able to provide to the committee the work you have done on that protocol?

Ms Wills—Certainly.

Senator NEAL—That would be very interesting. I want to talk to the representative from Darebin about your saying you provided training for management committees. I find it particularly interesting not only for child care but because it is often a problem with all sorts of community based management committees. Could you give us a bit more information about how they operate, the cost involved and what benefits you have seen from them?

Ms Black—Of the actual training or the service?

Senator NEAL—Yes, the training.

Ms Black—We are currently in the process of running a series of training for committee of management. Our overall costs include the development of modules and the mapping of competency base. We have gone out of our way not to just look at the children's services area but to go and look at picking up competencies in the small business area, the public administration area and areas like food handling. Those sorts of areas actually impact on child care but they impact, as you say, on many other community services as well.

We have met the development costs. We have met the presentation costs at this stage. We generally have attendance in the vicinity of 20 people per training session. We are looking at a cost for the current session of about \$60,000 as a cost to the city of Darebin.

Senator NEAL—What is that per committee?

Ms Black—They are not paying for that; the city of Darebin is.

Senator NEAL—No, I mean what does it cost the city?

Ms Black—About \$60,000 to develop and present that training. The cost will reduce over a period of time because once we have modules developed we will simply be modifying those and presenting them, rather than having the continual development costs.

Our training also, though, is training for children's services workers, because one of the key areas that we noticed that services were most likely to cut first to make ends meet was training for workers. The national accreditation system tells us that the quality of worker is the absolutely pivotal issue with regard to the quality of service in the centre. So in the last 12 months we have run a series of training for children's services workers as well, at a similar cost.

We are just embarking on another round of that training. Our committees are currently nominating to us the sorts of areas their workers need—and we have particularly asked that workers nominate the training they need, not necessarily the committees—to provide a quality service in their centres. Once the training is developed, the costs are fairly minimal. There is potential for on-selling it, of course, to other committees.

Senator NEAL—I understand your development cost was \$60,000, but what did you budget that it would cost you per committee?

Ms Black—We did not budget per committee. We looked at the amount of money that we were spending on a limited number of services and looked at how we could best spread that across children's services within the city of Darebin. Based on the information we had from the reports we had commissioned with regard to the issues, which were ability to manage and the quality of service, we then looked at the training needs that came out of that and at information about the level of accreditation of services in the area. From that information, we looked at what those training needs were and decided that that was how we would spend the money.

The services do not actually have to participate, so we have not done it on a basis of service. I suppose we could ultimately go back and look at that. One of the evaluations that we will do, given that this is a fairly new venture, will be to cost that out in that way, but we have not looked at it from that perspective at this stage. All up, we have about 36 children's services, so if you take our \$60,000 or \$65,000-odd for one session or eight different modules, that gives you some idea.

Councillor Johnstone—I would like to say that we have really seen that there is a commitment to good local area planning. There is a commitment from local government to ensuring that the committees of management are best placed to manage a high quality centre. But that still leaves us with some barriers, which are essentially within the cost structures of councils, that are barriers to entry into affordable child care—even the Childcare Assistance being capped at 50 hours a week. Not every child is there for the same 50 hours a week or the 10-hour day. The centres have to be open early and they have to close late, and that leaves a gap that is not funded that councils have to pick up. There is a number of these fundamental problems with the way in which the subsidies are structured and targeted that we would like to improve.

Ms Merkus—In terms of Darebin, they are subsidising child care centres by \$60,000 and it is a training package. That would not actually be unusual. Most local governments put significant dollars into coordination, planning and resourcing of child care centres, especially in the last year. I know Moreland has put in significant capital funds to increase the viability of some centres so that they can increase the number of places in each centre. One centre has closed, so we can reallocate those places to those other centres we are expanding. We are also undertaking a children's services strategy to ensure the viability of all our children's services into the future. That is a significant subsidy to child care services in this city.

Ms Black—Can I just reinforce that and say that the Darebin subsidy is not just \$60,000; it is in excess of \$300,000 across the board.

Senator NEAL—For how many places?

Ms Black—For 32 child care services.

Senator NEAL—I cannot remember who it was, I am sorry, but someone mentioned that the operational subsidies for vacation care had been removed and you had not been advised yet whether Childcare Assistance would be available for vacation care.

Ms Clark—That was me.

Senator NEAL—Do you have any idea, or have you been formally advised, when you will know?

Ms Clark—We received some correspondence on it at the end of last week saying no decision had been made as yet.

Senator NEAL—And this is effective from 27 April?

Ms Clark—No. The operational subsidies have been continued until 30 June for school-age care and vacation care programs. We were advised of that about six weeks ago, but we still do not know about the July school holidays. One of the flow-on effects, if those programs are not eligible for Childcare Assistance, is that the Commonwealth funded workers who support the inclusion of children with disabilities into those programs have been told they will no longer be able to provide support to children with disabilities in those vacation care programs either.

In our vacation care programs, we have about nine or 10 special needs children with high support needs. The planning for the placement of those special needs children obviously takes a lot longer. We have to recruit, say, additional staff to work with them, or things like that, so we need a bit of lead-in time to the next school holidays so we can make sure those children with additional needs can be accommodated as well.

Senator NEAL—If you do not receive Childcare Assistance for your vacation care programs, will the councils be closing those programs down, or will they have to close down?

Ms Clark—We are in budget development phase at council now. What we have done is develop a fee structure that reflects the removal of operational subsidy. Effectively, that would mean the daily fee would go from about \$14 now to \$23. Without Childcare Assistance, families will not be able to afford that. So we will not need to close them down.

Senator NEAL—There will not be anyone coming.

Senator O'BRIEN—I want to ask a general question and leave it for you to decide who wants to field it. We have had some evidence about the private sector centres and Ms Merkus talked about some cost comparisons, I think in Darebin—perhaps I am wrong about that but you will correct me. I want to know whether the private sector centres are generally cheaper than the council centres and whether the councils have any information on child-

staff ratios, and also the ratio of trained staff to non-trained staff, in council versus private centres.

Ms Clark—We do have quite a lot of private sector providers in Casey. Their full-time child care fee is generally cheaper than the fee for the council service—our full-time fee is currently \$165 a day—but their part-time child care fees are more heavily weighted. So, realistically, to compare just the full-time fee does not give you a true picture. Our daily fee is \$35 and the average daily fee in the private sector in Casey, from the last time we looked, is about \$38.50. The half daily fee is even more heavily weighted.

Effectively, if I go with my child to book in at a private centre, it would be cheaper for me to book in for five days a week even if I really only want three days care, because the three days care fee is equivalent to the fee for five days booked care. And then I would be eligible for child-care assistance for five days, whereas if I am only booked for three days I can only receive Childcare Assistance for three days. Do I need to explain that a bit more or do you understand?

Senator O'BRIEN—Does that mean that they can book their centre up beyond capacity because only a few use it?

Ms Clark—That is correct.

Senator O'BRIEN—What about the staffing issues that were raised? Is there any knowledge that you can bring to the committee on that?

Ms Clark—In Victoria, because the staffing levels are regulated, most of our community based centres—and I think it is the same in the other local governments—comply with the minimum regulations of one qualified staff to every 15 children under three, a one to five adult to child ratio under three, one qualified staff to every 30 children over three, and a one to 15 adult to child ratio for children over three. I would doubt that any community based centres now have staff in excess of the minimum requirements by the state law.

Ms Shand—Our main difference would be that the private sector, because the child to staff ratio for over threes is higher, has a larger over-three capacity. At my service, with 35 places we have 20 under-three places and 15 over-three places. Of course, for the 20 under-three places, the staff ratio is one to five and the ratio for the over-threes is one to 15. In the private centres around our area, the pattern has been that they have a large capacity in their over-three age group and are very small in their under three-age group.

Senator O'BRIEN—Is there documentary evidence that the committee can have on that?

Councillor Johnstone—Speaking only for Port Phillip, I know that our council could supply an assessment of staff ratios and our fee compared to the other private sector providers in our city. I am quite confident we could provide you with that information.

Senator O'BRIEN—Thank you. That would be very helpful.

CHAIR—I thank all the representatives from the various councils and the peak organisation for attending.

[3.34 p.m.]

BUCKLEY, Mrs Eileen, Family Day Care Co-ordinator, Craigieburn Family Day Care, 120 Hothlyn Drive, Craigieburn, Victoria 3064

SIEMON, Mr Donald McIver, Social Policy Coordinator, Brotherhood of St Laurence, 67 Brunswick Street, Fitzroy, Victoria 3065

TASKER, Ms Gillian, Contract Researcher, Brotherhood of St Laurence, 67 Brunswick Street, Fitzroy, Victoria 3065

BOULTON, Ms Jennifer, General Manager Northern, Melbourne Citymission, 123 Albion Street, Brunswick, Victoria

McKEE, Ms Heather, Research/Project Officer, Melbourne Citymission, 472 Nicholson Street, North Fitzroy, Victoria

ROBERTSON, Ms Wendy Lee, Manager, Melbourne Citymission, 123 Albion Street, Brunswick, Victoria 3056

CHAIR—Welcome. The committee has before it submissions from your organisations. I invite you to make a short opening statement and, at the conclusion of your remarks, I will invite members of the committee to put questions to you.

Mr Siemon—The Brotherhood of St Laurence have brought three people here today. As you will be aware, the main contribution we have tried to make to this committee is to provide some research we have undertaken. We initially provided you with an interim report based on some exploratory interviews which Gill Tasker undertook. She is happy to answer questions about those interviews.

Subsequent to that, we sent you the final research report, which incorporated both that material and some analysis of child care affordability which I undertook. We brought Eileen today because that research really did not cover terribly much family day care. We thought it might be useful for you to get her experiences as a family day care provider.

I have just two quick things to say. The first is that, apart from the family day care service which we auspice in Craigieburn, the brotherhood are interested in the affordability of child care because of our concern about the impacts on lower income families, both sole parents and couple families. That is why we undertook the research.

The second key point is that there are some things which we would want not to be misinterpreted about the research. The first is that the conclusions that we drew in our final report really flow from our analysis of funding, not from the interviews with the nine families. We would not want people to think that we were making policy recommendations based on interviews with nine families. Those interviews were exploratory. We believe they are illustrative of the sort of problems and responses, but that was not a representative sample, obviously, of nine people.

Our recommendations flow from consideration of the long day care area, and particularly centres as a whole, not just community based centres. We are looking at longer term trends rather than just changes as a result of the last couple of federal budgets. I am happy to go through any findings from the major report if people have not had much of a chance to look at it.

Ms McKee—The Melbourne Citymission have also brought along three people here today. Wendy is the manager of the Children's Centre. She has worked at the centre for 13 years, and for the last two as the centre manager, so she has a wealth of experience from a day-to-day perspective.

Jennifer is the general manager for the northern region, which includes the child care centre and a range of other support services for children and adults with a disability. Melbourne Citymission has embarked on a major redevelopment on the site of the child care centre in recent months and proposes to establish a centre of excellence incorporating child care, preschool and a range of support services that enhance the integration of children with disabilities and support families under stress who require both respite and parenting skills development. Jennifer can speak further about that if you are interested.

As a project officer with Melbourne Citymission, I prepared the submission. Melbourne Citymission's commitment to operating a child care program stems from the recognition of the important role of child care in strengthening family functioning and its potential to support families in times of stress, offering respite and parenting skills development for families and stimulation and developmental opportunities for children. Further child care, through enabling lone parents and the second parent in low income families to re-enter the work force and earn additional income, can lift families out of poverty.

Based on the experience at our child care centre, we prepared a submission around the concern of the increasing cost of child care to families, particularly those for whom the centre operates. The increasing cost of child care is now excluding many of these families. Affordability has been increasing as an issue, culminating in the massive hike in fees as a result of the implementation of the federal budget initiatives. To just maintain the centre's operations, our focus has shifted and we are no longer able to provide, to the extent that we would like, access to those low income families who seek child care for respite or protective reasons.

Our recommendations, though not detailed, are to increase Childcare Assistance; to reduce the gap fee to make child care more affordable; to consider some funding for the community sector, to support the sector to provide access to those families that are excluded from care due to the increasing cost to access care; and to support child care as one of a range of support services available to families. We are happy to answer any questions in relation to our submission and all the things that flow from it.

CHAIR—Thank you. Are there any other contributions at this stage? We will now go to questions.

Senator PAYNE—Could I start with a question to Melbourne Citymission and then come back, if that is all right?

CHAIR—That is fine.

Senator PAYNE—I note that in your submission and your verbal introduction you refer to the operational subsidy removal causing fee increases. Could you also tell me what other elements there are in the administration of your centre that cause fee increases and thus impact on that area?

Ms Boulton—Certainly. The loss of the operational subsidy put us into a further deficit in our child care centre. We have been carrying a deficit in the area for quite a number of years. Some of that is of our own choosing. We have chosen, up until December last year, to employ a special needs worker to work one-to-one with children with disabilities, a position which we have paid for. That has increased our deficit, but we have done that knowingly, for a whole range of reasons. We have stopped that now, because of the special needs assistance that has been available to the particular children to whom we had been providing that one-to-one service through our worker.

Senator PAYNE—Has that assistance replaced that one-to-one service?

Ms Boulton—Yes, it has, at this stage. In addition to that, we have administrative charges that Melbourne Citymission imposes, but they are kept to an absolute minimum in our child care centre. We have a very big commitment to the children's centre and we believe, as Heather said, that it is child care, for a range of reasons, to low income families and families at risk. We are prepared to subsidise that, and will continue to subsidise it, but the loss of the operational subsidy lifted our level of subsidy to around \$100,000 in the past financial year, which is a big increase for us.

Senator PAYNE—Yes. Other evidence we have received today has commented on the impact of superannuation costs, workers compensation insurance and those sorts of things. Could you comment on that?

Ms Boulton—We are certainly finding that workers compensation has been a big cost. In all of our budget areas, including child care, we look for the industry standard level for workers compensation, for example, from funding bodies. Anything higher than that—that may or may not be impacted from Melbourne Citymission's point of view—we are prepared to subsidise. Yes, those things do certainly have an impact on it.

Senator NEAL—I am particularly interested in the report done by the Brotherhood of St Laurence in relation to single parents. Obviously, those on lower incomes are particularly affected, and single parents are in a fairly individual position. You obviously did an interview with a particular individual. Did you do any analysis of the cost changes, as they would affect single parents, from a broader view rather than from just the individual case?

Mr Siemon—Our impression from the interviews and also from the analysis is that there are two distinct impacts on sole parents. The first is that sole parents that are engaged in training or study and do not have any significant income as a result of that will obviously feel the full impact of increased out-of-pocket fees. One of the things we found when seeking families who had affordability problems was that there were lots of sole parents in

that situation who put their hands up. We actually chose not to interview very many of them, because we were seeking a range of household types for our interviews.

The second is that, while a lot of the focus on work disincentives—high effective marginal tax rates and so on—has been on the impact on couple families, the households who are most likely to be in areas of very high effective marginal tax rates are disproportionately sole parents, so that the number of sole parents—based on that set of studies of effective marginal tax rate incidences—in high and very high effective marginal tax regions is probably about 50 sole parents and couples. One of the things which was very striking when looking at child care affordability was the extent to which high effective marginal tax rate work disincentives will now play a part—

CHAIR—Did you say ‘disincentives’?

Mr Siemon—Work disincentives, yes: the extent to which they will now play a part in the child care debate again. This is not solely because of higher child care fees; it is also because of the introduction of part B of the family tax payment. The higher the child care out-of-pocket fees, the greater those work disincentives are; and they are very significant for sole parents who are working part-time. Does that answer the question?

Senator NEAL—In terms of Melbourne Citymission, you have had a number of parents leave centres: is that correct?

Ms McKee—Yes.

Senator NEAL—Is there a typical profile of families that are withdrawing from your child care centres?

Mrs Robertson—Yes. I find that a lot of my low income families have reduced full-time work to part-time because they cannot afford the cost of child care. One-quarter of my families have reduced work. Lots of families have left work, as they no longer can afford child care. They have said that it did not pay them to come to go to work and put their children into child care. But now they are finding it really hard simply to meet the costs of normal daily living.

Senator NEAL—One of the things that was commented on was the provision of additional funds for high needs children—in fact, you employ someone specifically to work one on one with those children. There was an indication or a statement by the government that they would be providing additional funds for those sorts of high needs children: have you found that there is any scheme available that you can access for those sorts of children?

Ms Boulton—Yes. We are accessing the special needs funding for a number of children in the centre, and that does provide for one-to-one support for children with significant disability. We are using that now, and so we are no longer actually putting in a special worker ourselves.

Senator NEAL—I have spoken to some centres who had special needs children, and the centres told me that the process for accessing that fund can be quite difficult and administratively complicated. Have you had that problem at all?

Ms Boulton—No. That is not to take away from the experience of other centres, but perhaps Melbourne Citymission is in a unique position in comparison with some other centres, in that we have an early intervention program, with community workers in the early intervention program who actually apply for the funding on behalf of the children in the centre. Perhaps it is because we have a range of early childhood services that work together that it has been made less administratively difficult.

Senator NEAL—Who defines the children being in high need: yourselves, or the state department?

Ms Boulton—The children actually go through a series of assessments that are sent into the department, and the department then—

Senator NEAL—That is Health and Family Services?

Ms Boulton—Yes. The federal department decides whether the child is eligible and makes a decision about how many hours per week that child will be able to receive. So we put in a submission based on the assessments of therapists that work in the early intervention program, and the department makes another assessment and lets us know how much we will get for those children.

Senator NEAL—And what are the criteria? I know they have high needs, but how high do the needs have to be?

Ms Boulton—Perhaps you can answer that better than I can.

Senator NEAL—It is a difficult question, but I am quite curious about it.

Ms Robertson—Yes. They have to be assessed by the doctors from the children's hospital. At the moment, we have four children who have special needs workers working with them and we are in the process of trying to get funding for another two children. They base that on—

Ms Boulton—The main focus is to integrate the child into the normal activities of the centre, but they might need special assistance with feeding, toileting, and learning special skills—even things as basic as walking, as well as fine motor skills—and the one-to-one support is to assist them to develop those skills and to integrate with the other children.

Ms Robertson—We used to have a special needs worker for eight hours per day, but at the moment our funding only covers that for five hours. So we find it hard when the worker comes in from 9.30 a.m. and leaves at 3.00 p.m. and those children might be there until 4.00 p.m. or after 4.00 p.m. So therefore, my staff in the room then have to take over the work that that worker was doing one to one with that child, plus look after and give quality care to the other children.

Senator NEAL—So that special needs funding actually provides funds back to the child care centre to provide additional staff time?

Ms Boulton—It is only for staff time—nothing else.

Senator NEAL—If that funding does not deal with the problem of parents being able to afford that child care, say—

Ms Boulton—No.

Senator NEAL—If a parent had a special needs child and was saying, ‘I am going to have to remove my child,’ is there nothing that helps them?

Ms Boulton—No; the funding is purely for the number of hours of staff support. We need to account for the number of hours and provide that number of hours.

Senator PAYNE—I have one other question in relation to the Melbourne Citymission submission. You say in your second recommendation that you are opposed to the introduction of restricting Childcare Assistance eligibility to hours used—could you expand on that for me, please?

Ms McKee—In the body of the submission, we made comment that we are aware that the government is considering restricting Childcare Assistance eligibility to hours used, and we are concerned that this has the potential to reduce affordability even further. The Melbourne Citymission centre continues to operate from 6.30 a.m. until 6.00 p.m. to enable working families to access the centre, and we are required to have certain staffing levels to maintain those hours of operation. If the system is changed whereby individual parents only pay for the actual hours used, then this has the potential either to increase costs further or to force centres to reduce the hours of opening or consider other ways of cost cutting. Does that make sense?

Senator PAYNE—Yes, it makes sense. I understand what you are saying, but I do not necessarily agree.

Senator SYNON—I apologise for having missed your verbal evidence, but I just wanted to follow up on that point, if I could, Ms McKee. The situation currently—correct me if I am wrong—is that your normal day is 10 hours or 12 hours. If a person comes in for seven hours of care, you would charge them for the entire day, would you?

Ms Robertson—Yes.

Senator SYNON—Are you asking low-income families to pay for 11.5 hours of care when they may only get seven hours? Is that equitable?

Ms Boulton—That is true. On the other hand, if parents cannot afford to pay, we have a system of looking at what they can afford and further subsidising that for them.

Ms McKee—The point, though, is that there are costs to maintain an open centre for hours that meet the needs of the majority of parents.

Senator SYNON—We have heard consistently today that the major cost in running child care centres is staffing. It comprises something like 80 per cent of the costs. That has been the estimate of other witnesses. If you have several children leaving after seven hours, why can't you send a staff person home and charge that low income family less money for their child care?

Ms McKee—The staffing of the centre varies throughout the day. The majority of staff are there when the majority of the children are there, so we currently would do that. We would reduce costs by that.

Senator SYNON—The issue is not only that parents are charged for the full day, but that the taxpayer is as well. The taxpayer is basically being charged for provision of care that is not being provided in some cases.

Ms McKee—I disagree in that there are costs to maintain the operation of a child care centre. Those are averaged out. In the case of Melbourne Citymission, we have a half-day and a daily charge. In doing so, we would attempt to keep the costs, including staffing costs, at a minimum.

Senator SYNON—If someone regularly uses three-quarters of a day, would you alternately charge them for half a day and a day to equalise that or would they be charged for a day?

Ms Robertson—With a lot of my parents, who attend even half-days, I explain to them that I do not stipulate a certain time. These parents might have to go shopping or have appointments. A lot of my families will come for five or six hours but they are only charged for half a day.

Senator SYNON—Thank you.

CHAIR—As there are no further questions, I thank the representatives of the Melbourne Citymission and the Brotherhood of St Laurence for coming in.

[3.17 p.m.]

SMIT, Mrs Pauline Mary, National Secretary, Women's Action Alliance (Australia) Inc., 6/493 Riversdale Road, Camberwell, Victoria 3124

CHAIR—Welcome. The committee has before it a submission from your organisation. I now invite you to make an opening statement and, at the conclusion of your remarks, I will invite members of the committee to put questions to you.

Mrs Smit—Thank you. The Women's Action Alliance is a national women's group with branches in each state of Australia. We have existed since 1975, which was International Women's Year. We have a particular policy focus on the wellbeing of women in the unpaid work force. For most women that means that period of their life when they step out of the paid work force to care for their family, be it for young children or elderly or disabled members of the family.

I would like to congratulate the Senate, not just you folk, on setting up this inquiry. I know that, when Senator Neal set out to have it set up, she was focused on the impact of child care cuts. The Senate saw fit to broaden your terms of reference to include—for the first time ever, to the best of our knowledge, in a federal government inquiry into child care—some recognition that there is child care other than paid child care and that people who work in those areas also have child care costs and child care needs. That is very good news for us.

Of course, paid child care is not the only child care type. In fact, it is the minor part. As I pointed out during the public forum this morning, 77 per cent of Australian children under 12 never go into paid child care. You will find on page 10 of our submission some information from the EPAC Childcare Taskforce that confirms that. It shows that 51 per cent of children do not go into any kind of child care at all, other than parental child care. Of children under 12 years of age, only 23 per cent ever go into paid care, and some of those would go in for very brief hours in the week, and 26 per cent go into some kind of unpaid care sometimes. That is usually extended family care or neighbours, et cetera.

It is important that we do not define child care too narrowly. We must acknowledge that all families with children, especially very young children, have child care costs. If you will not acknowledge income forgone while you undertake the care for your own child as a child care cost, I might as well get up and go home now, because you are not going to be at all sympathetic to any of our arguments. We would say that you either forgo income to care for your own children, which is a major cost, or you purchase child care. Either way, you have a child care cost to your family.

I am particularly wanting to plead today for that group that I mentioned briefly this morning in the public forum. We focus on them on page 8 of our submission, which is under your term of reference (d) that states:

. . . the effect of child-care subsidies . . . being available only for families who contract out their child care to others, and not for those who provide child care at home . . .

We say there that the decision about whether you care for your own children or employ others to do so should remain the province of the families and of parents. However, there are factors that come to bear on families.

I did provide the senators with a chart about housing affordability. It shows very clearly that, when the housing mortgage rates go up, one year later so does the exodus of women into the full-time paid work force. It is very obviously a big factor in that decision. In other words, it is not a choice really. It is a forced situation where the cost of just putting the roof over the family's head forces the mother into full-time work.

On page 8, I have listed five areas in which we see discriminatory structures in both tax and child care which impact on the choices of families about whether the mother or the father can take some time out to be with the children full time. The first is a tax one. One of your terms of reference—I think it is (c)—is looking at the tax system and how it impacts on the choices of families. Single income families have a second tax-free threshold meant to acknowledge the living costs of the full-time parent of only \$2,500. If the mother as well as the father goes into paid work, you will immediately access a tax-free threshold of \$5,400.

We see no logical reason for that whatsoever. If you acknowledge that the mother at home caring for young children is a worker in her own right, and she plays a valid work role in our society, why do we not accord her a full tax-free threshold in her own right? As I pointed out this morning, she has the same living costs as everyone else as far as the costs of food, clothing and petrol go. As soon as her youngest child goes off to school, that tax-free threshold is removed from that family, whereas if two parents are in the paid work force, no-one asks the second parent to surrender their tax-free threshold when the youngest child goes off to school.

The child care cash rebate almost doubles if you have a second child in care, but that is not so if you have a second child in your own care. Your basic parenting allowance remains the same. There is no means test at all on the child care cash rebate, but there is a very stringent one on the parenting allowance, and it is as low as \$30 a week. If the mother starts to earn, she starts to lose. The maximum amount of the parenting allowance is \$31 a week, no matter how poor the family is, whereas the maximum rate of the Childcare Rebate is \$62 a week. We are talking about having two children in care here. No matter how rich the family is, they can still claim that. We see that as fairly inequitable as far as it impacts on choices.

The next paragraph on that page is the one we particularly want to draw to your attention. We keep talking to government about this. In a family where one parent withdraws fully from paid work to undertake the care of children, the basic parenting allowance now does provide some level of compensation for the income forgone. If you have a family where one parent works full-time and the other does a small amount of part-time work, such as nursing two nights a week or stacking shelves or cleaning offices or something just to boost the income a bit, that totally excludes them from any assistance at all with their child care costs, those child care costs being the full income that the mother has forgone to spend most of her days with her children.

This is a direct consequence of the child care subsidies being available only for families who contract out their child care to others. If the children are home in bed with dad while

mum is doing night shift, they do not qualify for any other Childcare Assistance at all. This is a very common family model in Australia. As we have noted in the last paragraph on page 8, is it by intent or oversight that these families are excluded? It is very handy, isn't it, for the government budget not to have to assist these families? They could well be very low income families, whereas very high income families can be claiming \$62 a week in their child care cash rebate. We see that as a real breach in justice.

Other than that I would like to draw your attention to a few of the other charts in there, particularly the one on page 9, headed appendix A. Just halfway down, under income decile 10, which is the highest income group of about \$83,000 or more a year, you will see that \$11.34 figure, with 10.69 beside it and 10.41. That shows that most of the child care cash rebate goes to high income families. At the bottom level you are down as low as \$2. Down further, under 'proportion of total expenditure', you will see those \$11.24 figures in the right-hand column. They show that the child care cash rebate is a much higher proportion of the higher income families' expenditure. There is almost nothing in it for the lower income families' standard income.

Apart from that we would like to draw your attention to the large area at the back of our submission in which we talk about some work that Penelope Leach has done. She surveyed child psychiatrists across the world. To summarise it in one sentence, they tend to agree that children under 27 months of age should mainly be in the care of their mother.

Senator NEAL—You could point out a report for every version of that, couldn't you?

Mrs Smit—I do not doubt that you can, but there was a fair amount of—

Senator NEAL—In terms of the optimum care of children and whether it is child care centres or parents or whatever form, there are literally thousands of reports.

Mrs Smit—Yes, but there seems to be a fair amount of agreement that there should not be too much turnover of staff in a child care centre. That is poor for children's bonding and all those sorts of things. Yet that is one of the most contentious and difficult areas to meet, isn't it?

We have heard a lot of evidence today about how expensive it is. I believe it should be a lot more expensive than it is because it is not satisfactory that a three-year trained level 4 child care worker is getting \$28,000 a year for a demanding and responsible job. It is not satisfactory to Women's Action Alliance that the regulations require only one worker to care for five children under three years of age. You were all here this morning and heard the noise that those children were making. That is just natural child noise, but to care for five children under three years of age for eight hours a day is beyond them as human beings, we believe, no matter how well supported they are—if not, I would just like you to try it sometime.

In relation to the withdrawal of the operational subsidies, we have not taken a strong position on that. If we were going to support their reinstatement, it would be conditional and that would be that the priority of the access guidelines be changed, because the priority of access guidelines to government funded child care centres requires that first priority be given

to two-income families and we think the first priority of access should be given to needy families. If governments are going to support centres with subsidised operational costs, then the first focus should be on need. Meet that need—or the special needs with the disabled or multiple births or maternal illness or those sorts of things. But until that is met we would not support the reinstatement of the operational subsidy either.

But we see government's primary role in child care funding is to help the poor first and that has not been what the priority of access guidelines have been at all—quite different.

I have already made some comments about quality but another thing that worries Women's Action Alliance about children in child care is the illness rate—the spread of infection amongst young children. We have had quite a lot of epidemiological evidence now which I have not brought with me and have not included in the report; we have not put it in the submission although we have referred to it. It shows that children who spend more than a certain number of hours a week in child care get six more colds every year than any other child. Most kids will get two colds a year. Each cold lasts about two weeks or three weeks before it goes away, so those children are getting eight colds a year. They are spending a lot of their time being sick and miserable because a cold can make you as miserable as anything else can, as I am sure you all know.

It does concern us and we are not willing to bow down to the accepted wisdom that child care is the best quality care we can have for children. Small amounts of child care can be valuable to very young children but not long day care. We do not believe it is very good for young children at all. In fact the best place is at home with one of their parents, and most Australian children are—thank God.

Senator NEAL—Do you not think it is up to the individual family to decide, not for you to say?

Mrs Smit—Yes, we do.

Senator NEAL—Well, you have decided it is better for individuals—

Mrs Smit—No, we would never say to any family, 'You should bring your children up this way.' That is entirely the right of that couple. But we also get a little irritated by the wisdom that we read regularly in the daily press about how good it is for children when in fact the evidence does not support that really.

Senator NEAL—There are probably a lot of things like going to school that are not very good for children but on balance—

Mrs Smit—I think it is fairly well accepted that going to school is very good for children and most parents would agree with that, whereas there is a high level of anxiety in the community about very young children being in child care.

And also this very recent material—it is on page 14 and came out of the Institute of Family Studies—shows that most people agree with us.

CHAIR—We will let you finish your submission, Mrs Smit.

Mrs Smit—I will finish now, but I would just point out that that chart on page 14 shows that 78 per cent of people think young children are best at home—that it is best for young children to be with their mothers at home. And, in fact, 77 per cent of women believe that too; it is not just the male view. It is not surprising, is it, then, that 77 per cent of the population are never going to pay child care because that is what most people think. But I am not happy that another 23 per cent of children who are in child care are not at home, and government should be focused on their needs. All this stuff we have listened to today is very important, but I just wanted you to hear a different voice. And I am hoping you consider those other terms of reference that I mentioned.

CHAIR—I think you can be assured, Mrs Smit, that all the terms of reference will be considered. I have one question to kick off with. Your recommendation 1 on page 10 suggests that the most equitable method of funding would be to make a single direct payment to parents with dependent children, this payment to be adjusted for family size and made dependent on the taxable income of the primary earning parent. Essentially you are arguing for payment of some form of allowance to the primary parent that should be means tested. Could you tell me how many families there are currently in Australia with young children that would be eligible under your proposal and what costings you have done to revenue on that?

Mrs Smit—We have some figures in the submission on how many families have young children in Australia. You will see them on page 10 where it says:

There are over three million children under twelve years of age in Australia. Over one and a half million under twelve years are cared for exclusively by parents (51%).

We have not actually included the number of families there. I would think those figures would be readily available to you from the Bureau of Statistics.

CHAIR—We know there are three million children under the age of 12 in Australia. There are probably something in the order of 4½ million to five million dependent, under the age of 16 or under 18, going to university. Are you suggesting \$10 a week or \$100 a week or somewhere in between? If you multiply five million by \$10 a week, or the other extreme of \$100 a week, you are talking billions of dollars. If you cast your mind back to what has occasioned this inquiry, it is essentially an argument over cuts to revenue of \$800 million over four years, \$200 million per year. My reading of this is that you are advocating payment by government of something in the order of many billions of dollars. Is that correct?

Mrs Smit—It would depend on where you set the payments. We would say, as a starting point, it should not be any lower than the basic parenting allowance, which is now \$30 a week.

CHAIR—Thirty dollars a week by five million is—

Senator NEAL—A lot of money.

Mrs Smit—The thrust of this recommendation is that all families on the same income should be treated the same. As far as means testing goes, what we have suggested is that it be added to the family's taxable income so that those families who pay no tax would retain the whole payment and those families who pay more tax would retain most of the payment, or would return a lot of the payment to government. It is a way of gently means testing, I suppose, so that all families get a benefit but low income families get the greatest benefit.

We would say that if you are going to assist families you should assist all families and if you are going to discriminate as to who gets assistance and who does not, it should not be on the basis of what sort of child care you choose, but rather it should be on your income.

CHAIR—I understand those arguments and they are part and parcel of this child care debate, the discrimination and different equity arguments. You have a recommendation that goes down that particular philosophical line which you have put before us. My sums suggest there is something in the order of \$5½ billion just on \$30 a week.

Mrs Smit—It is really a philosophical recommendation. We are not the only ones who have made this recommendation. As you will have noted, we say at the top of page 10 that the National Council for International Year of the Family made a similar recommendation, as did the Australian Catholic Social Welfare Commission and the EPAC Childcare Taskforce. The only difference was that the EPAC Childcare Taskforce excluded parents who do their own child care. Their recommendation was going to be purely for people who were accessing child care payments.

Senator SYNON—Would you be happy for the existing pool of funds within child care just to be more equally distributed between those three million children? Is that what you are saying? That is what I am trying to get at.

Mrs Smit—What I would be happy to see is the whole child care funding system being more inclusive so we do not have people totally excluded because of the choice they are making. Those families that I identified before who choose to have children at home with one parent while the other parent does a small amount of child care should not be excluded unless they are wealthy.

Senator SYNON—I understand and respect the philosophical position you have but as with all things there are financial implications to the recommendations. That is what we are trying to determine.

Mrs Smit—If the child care payment was reduced to \$10 a week, at least we would be acting fairly, wouldn't we? We have our own thoughts about this. We feel that if you make a direct child care payment to some families, that money may not be spent on child care; it may be spent on gambling, cigarettes or something else. You should not consider all families to be the same. Just because a small number of families may not act responsibly or the parents may not be responsible, you should not assume that about all families. It could be that that money could be paid directly to a child care centre on the parent's direction if they wanted it to be directed to the centre that they are using for their children.

Senator NEAL—I understand what you are saying. One of the arguments discussed earlier today was this idea that, with the payment of child care subsidies—whether through operational subsidy, Childcare Assistance or Childcare Rebate, in terms of government outlays—the government also receives funds in return through the payment of taxation by that second person in the family who is working. So to some extent all child care payments are really repaid by the individual—if not directly, then indirectly. The sort of payment you are proposing does not really have any offset like that.

Mrs Smit—A lot of those parents receiving that payment would be in the paid work force and paying their tax anyway.

Senator NEAL—I am sorry, I do not understand that.

Mrs Smit—Most of those parents who are currently in the paid work force would stay there, and they would still be paying their tax. They would be using this payment to pay for their child care, wouldn't they? That is what it is for. Those who are providing their own child care to their children would retain it as some kind of compensation for income forgone. This child care payment that we are recommending in that recommendation would be used by those parents to pay for their child care. This is, after all, what it is for.

Senator NEAL—Sorry, but I do not understand what you are saying. I am saying that with Childcare Assistance and Childcare Rebate the subsidy to child care allows a second person in the family to go out and work, and therefore the government receives a higher level of PAYE tax.

Mrs Smit—Yes, I understand.

Senator NEAL—So there is an offset. With the payment you are proposing, are you saying that there is an offset? Can you explain that?

Mrs Smit—This payment that we are proposing would also allow a second parent to go out into the paid work force, because they would have some money from this payment to pay for their child care, and therefore they would be earning and paying their tax too.

Senator NEAL—But if they are paying for child care, they are already receiving the child care subsidy and Childcare Assistance.

Senator SYNON—No, everyone would get the same payment, and how they would choose to use that—

Senator NEAL—But I am asking what offset there would be for that group of parents that you say are presently missing out, the people who do not pay for child care?

Mrs Smit—They would be paying their tax the same as any other person who is using the child care services. You are suggesting that because it enables the second parent to enter the work force, you get some tax income. You would from here too, because—

Senator NEAL—No, I am not arguing. I am just asking: what is the offset? I am saying that with Childcare Assistance there is an offset, so basically it really does not cost the government anything to provide it because of that tax offset.

Mrs Smit—I do not think that the government budget papers say that the child care does not cost the government anything in the long run.

Senator NEAL—You pay it out but you get income back at the same time.

Mrs Smit—Yes, you get some. Most mothers work part time, do not forget, and they pay fairly small amounts of tax.

Senator NEAL—I am not having an argument with you; I am just trying to see if you think there is an offset in making a payment to people who are not paying for child care. I thought you said that there was some sort of offset. I am just trying to understand what you think it is.

Mrs Smit—You are saying that the offset comes from the increased numbers of women being in the paid work force and paying tax.

Senator NEAL—No, I am not asking you about what I am saying; I know what I am saying. For women who do not pay for child care, what offset is there if there is a payment?

Mrs Smit—If they were not receiving this payment, they could not afford to get child care and so they could not go into the paid work force. Because they are receiving this payment, they will be able to purchase child care and therefore enter the paid work force and pay tax.

Senator NEAL—Yes, but you are saying that the payment should go to women who do not pay for child care.

Mrs Smit—It should go to everyone; it should go to all families with young children.

Senator NEAL—Exactly. So what is the offset if they are not paying for child care?

Mrs Smit—They will be paying for child care. If you do not provide them with this payment, they will not be able to afford any child care, will they? Do you mean the mothers I identified before?

Senator NEAL—Yes.

Mrs Smit—No, there will not be an offset in those instances, because they will probably choose the same form of child care they always did, because they prefer their children's father to be caring for their children. The reaction I am getting from you is, 'That's a lovely policy, but it is too expensive and it just will not happen.'

Senator NEAL—No, you should not get confused. We do not have the same views. We are all individuals with different ideological views and different opinions.

Mrs Smit—Yes, I appreciate that.

Senator NEAL—You should not assume that we all think the same way.

Mrs Smit—No, I do not; I am only assuming that you and Senator Bishop do because of the way you have responded.

Senator NEAL—No, that is not strictly true, either.

Mrs Smit—I am not rejecting what you are saying to me. You are probably right.

Senator NEAL—I am just trying to clarify what you are actually proposing.

Mrs Smit—We are proposing that the money that is being spent on child care now be more fairly distributed over all families for the choices that families make. We view the current situation as being that there are some choices that the government rewards and some that it does not. If you stay home full time, you get \$30 per week as your parenting allowance. So the government is virtually saying to you, ‘We think it is a good thing that you are home minding your kids. Here’s \$30 per week.’ If you go into the paid work force and use paid child care, the government assists you with that. They say, ‘We will give you Childcare Assistance. We will give you Childcare Rebates.’ But, if you make a different arrangement in your life, whereby you do your paid work while using your mother or your husband or someone else to mind your children, you are excluded. You are given no assistance at all and no recognition that you have child care costs, which you do have, because you forgo income most of the week.

We see that the system is very biased. It is not surprising that it is biased, because the child care system really was set up originally to help women go back to work. That is what it is was for. It was a feminist platform, and that what it was for. We have no objection whatsoever to that: it is just that we believe in freedom of choice. We have no objection to women being in the paid work force. Believe me, most of our members are in it. But we think that families’ choices should be treated equitably. We are not looking for special treatment for women at home. We are just looking for equal treatment.

Senator NEAL—I suppose that is what I was trying to say. You are saying ‘equal’. If you look at one side of the formula, it may seem unequal. But, if you look at both sides of the formula, which is not only what the government is paying out but also what the government is receiving in, then the whole evaluation of equity is quite different.

Mrs Smit—Obviously we have to put forward a recommendation that the government will consider. If it is totally blown out of the water by the costs, it will not be considered. I would like to draw your attention back to the earlier part of our submission where we looked at your term of reference (c), which talks about the taxation system. This is another way we would see that the government could move. In fact, the Howard government has moved in this direction already by putting in a \$1,000 extra tax-free threshold for each dependent child. We are simply saying that that should be extended—

CHAIR—What page, Mrs Smit?

Mrs Smit—On page 2. There are quite a lot of pages there where we discuss the way that the burden of taxation has shifted over the past 30 years from the single taxpayer to families. Look at page 4, table B, in the right-hand column again, with the example of the couple with two children, on \$80,000. I am going up to that end of the scale deliberately because I want to compare that with something else I would like to show you. The couple with two children, on a single income, will retain \$52,282 of their \$80,000 by the time they have paid their tax and they have their family payment, family tax initiative. The family which is earning that amount by the wife earning half and the husband earning half will retain \$59,000. These families have the same number of children and they have the same income. It is just that one pays a lot more tax than the other. In fact, it is the dual income family which retains \$6,000 more per year.

CHAIR—That is because of the tax-free threshold, isn't it?

Mrs Smit—It is because of the tax-free threshold. It is also because, all the way up the tax scales, you are paying lower marginal tax rates if you have got two incomes. On page 6, we have a chart which we have derived from some figures we have just had done by NATSEM in February of this year. The chart shows the impact that it would have on those families if you allowed them to split income over the whole family unit—and we are not talking about just husband and wife income-splitting here. I do not think that anyone really agrees with that, because it does give too much benefit to high income families.

Whenever you change the tax system, you are going to end up with winners and losers. We want the winners to be middle income families because they are the ones who have lost—and I have given you the sheet about single income families losing out over the years. When you look at the losers in our model here—you will find them in column 1—they are couples with no children. It says there that people in the top income decile—that is, the \$82,000 or more—would pay \$82 more per week in tax. That sounds unreasonable, until you turn back and see that that is exactly what the other families are doing: they are paying \$82 more per week in tax on \$80,000. So, really, we are just shifting it from those with no children to those who have children. We are giving some relief to those who have children, and perhaps we are charging it up more to wealthier people with no children.

I would be very keen for you to give a bit of attention to those figures, because they do show that the greatest benefit does not go to the wealthy, if you follow our family unit tax model and limit it to \$10,000 that you can split off to each dependant. It also shows, at the bottom of the page, that the cost to government is not unreasonable—it would cost \$2.3 billion. Well? \$2.3 billion to give tax justice to families is not a big ask.

Mr Howard has already assured us that if and when a GST is brought in—as night follows day, if this government is re-elected, we will have one, it appears—he intends to help families. Here is a way we are suggesting that he might like to compensate families for the cost of a GST: by allowing them to income-split but adding that \$10,000. Our original policy actually said \$15,000. When we had the figures done by NATSEM, we revised them because they were far more satisfactory at \$10,000. In fact, NATSEM have informed us that, if you allow it to be \$7,200, it is revenue neutral; it does not cost the government anything.

CHAIR—Thank you, Mrs Smit, for coming along this afternoon and sharing these somewhat different thoughts with us. I am sure they will be of interest to the secretariat when we are drafting the report. Thank you also for waiting all day. It has been a long day, I know that.

Mrs Smit—It was an interesting day, thank you, and I wish you well with your deliberations.

CHAIR—Thank you, Mrs Smit.

Committee adjourned at 4.31 p.m.