

Senate Inquiry in to the Provision of Child Care.

In 2004 Pauline Birch, Co-ordinator of Strathdale Child Care Centre 145 Crook St Strathdale 3550, and Rosalie Rogers Manager Children and Family Services City of Greater Bendigo wrote a paper called "Plight of Child Care"(see attached). This paper was sent across the industry and to government officials across the nation. It was tabled in the South Australian Parliament (see SA Hansard report) and was also referenced in research papers by Prof Mildred Warner, a Professor of Economics at the Cornell University in New York. The industry was very positive about the paper as it highlighted many significant issues most people were reluctant to state in public. The response to the paper within the industry was over whelming.

Whilst five years have passed and some of the content has been addressed, the thrust of the document is still very pertinent and should be of benefit to this inquiry.

Recently I was asked by a co-ordinator of a child care centre if she was running a community based service or a business. Under the current arrangements my response was both. She was running a sizeable small business with significant turnover, but at the same time providing a not for profit community service.

The recent collapse of ABC Learning comes as no surprise. The large monopoly of service linked to one provider is a concern for any community service, be it child care, aged care or the like. In recent years a number of large private entities in the child care sector have either failed or been swallowed up by ABC. Many small operators were also taken over by ABC Learning thus increasing their monopoly.

Within the City of Greater Bendigo there are currently seven (7) ABC long day centres providing 703 effective full time places. One centre had only just opened whilst it was evident that the company was in difficulty. It had been assumed that the EFT places meant up to 2000 families could have been affected in the event all of the centres closed. Had that happened that number of people having to give up work would have had the potential to decimate the economy in this municipality. Parents came from varied workplaces. It would be fair to say that many businesses would be left reeling if staff had to quit their jobs due to lack of child care. There would be a reduction in spending if available funds to outlay in the community are not available. There would be a ripple on effect to people's mortgages etc. Add this to an international struggling economy and it could have been quite destructive. Replicate the local scenario across the state and the nation the damage is vast.

To date in the City of Greater Bendigo area, one 65 place ABC centre closed. Based on the configurations of that facility, and the current regulations in regards to staffing etc it would be impossible for that centre to ever be viable let alone profitable.

The centre which opened recently has left many businesses in tatters with the builder indicating he may have to declare himself bankrupt due to the fact that ABC Learning or the ABC subsidiary trust company had not paid all the building instalments. (WIN News) This has had a ripple on effect to sub contractors who in turn have not been paid.

People should always come before profits. Originally the policy aim was to ensure there was sufficient child care available to working parents at a subsidised rate within this nation. The fact is that significant tax payer revenue was going to give a small group of people significant financial gain. A large group of share holders were also receiving minimal returns on their investments. It is interesting that as a tax payer I was indirectly ensuring people were getting very rich on my taxes. Taxpayers in general do not begrudge the notion of subsidising childcare to ensure it is more affordable for parents, but not at the expense of making others very wealthy. The original concept of the provision of child care was lost and subsumed by greed.

From experience there is no money to be made from child care if you are providing a high quality and compliant service with the appropriately qualified staff and sufficient up to date resources in a well maintained environment. Providing child care is an expensive business. Wages take up a large proportion of the budget. The mix of children can change which can result in the difference of being viable and going under. For example the annual budget may be predicated on having 10 full time children, 60 daily children and 10 half day children. In the event this mix changes and there is an increase in weekly children and a reduction in the half or daily children the bottom line is affected significantly. Smaller centres are not financial viable. A seventy place centre would be seen as a minimum number of places to be viable but this is subject to the configurations of the facility. Child care centres are predominantly unique in their individual design. They are not like schools where the design is replicated across the state or nation. Child care centres also need close to 100% utilisation to ensure viability which is very difficult for a small business to sustain long term.

It is of concern to see the press release dated 15/1/2009 as reported in Business Spectator- "Acting Prime Minister Julia Gillard said more than 300 new inquiries were made on top of the 3,300 expressions of interest (EOI) already received by receivers McGrath Nicol, following the collapse of ABC Learning in November last year." The mere fact that so many people have expressed interest in purchasing these centres is because people think there is money to be made in child care. A number of years back the Herald Sun did a story on the shortage of child care places. For the next three years over 60 enquiries were made by people wanting to build child care centres within this municipality. Most of these people clearly wanted to do this because they thought it would be a good way of making money. Most of these people did not have the skills or knowledge of the industry required for running a child care facility.

Currently at a Commonwealth and State level there is a review under way with regard to standardising the staff/child ratios, the group sizings, quality assurance, qualifications of staff, the hours of funded preschool increasing from 10 to 15 hours and implementation of kindergarten teachers in the child care centres and a national quality assurance to include kindergarten. Much of this review is predicated on evidenced based research. However it is a double edge sword. All of the proposals are of significant importance to the industry and in particular to the care and education of children. Given that much of it is intrinsically linked to staff resources, it is going to be a very costly exercise to implement. At this point in time I do not believe the industry can afford these proposals. If they are to be introduced then there needs to be significant operational funding to ensure families are not hit with additional costs. Centres will only pass on the costs to the consumer. The not for profit sector will only ensure their costs are met, the for profit sector will not want their profit margin reduced so the costs will be passed on.

This has the potential to place a troubled industry in an even more precarious position. In the event the cost of child care becomes too dear, people will make the decision to withdraw from the centres and either resort to backyard support or resign from their positions as it is cheaper to stay at home. On the other hand given the state of the economy and the down turn in business, people may have reduced hours of employment or be made redundant which in turn is going to have an impact on child care and further exacerbate the economy and the industry.

In the event of a total review, it would be advantageous to include Kindergartens in the service model. Long term it would be far better to have each child care centre to have a recognised kindergarten program. The centres have the infrastructure to factor these programs in to the centre. Each child would still be eligible for CCB as is currently the case, but funding allocated from the states to the kindergartens could be provided to a central agency and put in to the mix of providing care and education and given to centres towards operational costs. Considerable marketing would be required to remove the perception that stand alone preschools are better than preschools in long day child care. This would also address the issue of ageing infrastructure across the nation and the need to replace same requiring significant capital funding.

Placing all early years' staff on the same award would also address the enormous disparity between the different parts of the sector and between the different states. There needs to be significant work

done to remove the demarcation between the different skills and qualifications of staff in the industry with an acknowledge that all staff regardless of whether they hold a degree or a certificate they are there to care and educate the children. Some parts of the sector indicate that they would like to be paid in line with primary teachers. If that was the case then the non contact times should be in line with the teachers. Child care staff only have four (4) weeks holidays where the kindergarten staff have up to eleven weeks. These industrial issues need to be addressed if they are to work out of the one facility to ensure equity. If this is not addressed, it will be very difficult to engage staff if they are not treated equitably. In particular child care staff are not given the recognition of their qualifications, experience and the work they do caring and educating the child entrusted to them for up to 50 hours per week.

Another significant issue is that there is no definitive number of child care vacancies across the nation. There are a number of web sites which give you a bit of an idea, but they do not go far enough. One web site tells you which centre has vacancies and in which age group, but the user is not able to see the number of vacancies in that age group. Eg for a parent with twins who are 3 years of age would like to be able to see on a web based program exactly how many vacancies there are in each centre. Not all centres are listed on the Government site with their fees and locations. From a planning perspective this is a significant deficit whether at a local level or commonwealth level. Currently there is no ceiling placed on the number of child care places or the number of centres. As a result many centres have been built resulting in a glut of centres in some areas and few or none in other areas. The implementation of an effective electronic tool would assist this process. I am currently in discussions with a soft ware provider on the development of a system which will address this issue and provide an automatic link to CCMS and booking systems. It would be able to be used as a planning tool for the 3 levels of government as well as information for parents and support individual centres. The aim is to secure funding to develop this concept with a view to implement. It is very achievable. Discussions are in place in regards to funding.

A review on how child care is funded may prevent this situation occurring again. The ongoing of increasing subsidies has unfortunately only led to an ongoing increase in fees for parents. The additional government incentives continue to end up in the owner's pockets as profit rather than assisting the families. Changes to the CCB subsidy and the 50% rebate going to the parent is required. The removal of both of these direct to parent as subsidies would be beneficial. Developing a funding and service agreement between the Government and the licensee with 65% subsidy to go to the centre and the centre generates user fees from the client for the balance. In the event that clients are experiencing hardship then a mechanism should be put in place for those families. Consideration should be given to not only families on health care cards, but to families who are living from week to week. A change to this system should ensure that families are not disadvantaged. This may result in a small number of families being better off, as long as no one is worse off. An analysis on each centre's CCB and the total 50% rebate will provide an insight in to the amount required by the centre. This should result in reduced user fees.

For a number of years Local Government has been required to adhere to National Competition Policy and competitive neutrality if a service is deemed a significant business activity. This has been applied to child care presumably to create a level playing field. From undertaking a best value review of the services over the years this policy has further added to the cost of child care for parents. It has also highlighted that the not for profit sector do not work within this policy and that the private sector had had up until now the luxury of accessing significant funds through shareholders funds and very large economies of scale, not with standing the reduction in the quality of care at the expense of the children. It is acknowledged the need to allocate significant Government money \$50 plus million to ensure ABC Learning centres can continue until receivers have systems in place, however, this has also reinforced the need for child care not to be deemed a significant business activity under National Competitive Policy. There would appear to be two standards of policy application.

It is a well know fact that there is a chronic shortage of qualified staff within the child care settings. It is acknowledged that there are financial incentives available for people and recognition of prior learning. I believe that the system needs to be reviewed. I have staff members who have been working in the industry who have a mother craft qualifications. In order for them to get their

Diploma they have to undergo a Certificate 3 via traineeship incentives then sign up for Diploma. I also have staff with university qualifications who are also required to undertake the cert 3 before they can commence the diploma. This results in 2 lots of incentives for the one staff member when it would have been more appropriate for the staff member to start at the diploma level. It is a waste of funding. It is also my opinion that having the cert 3 as a prerequisite for the diploma is a deterrent for many people. Many indicate they have started with the cert 2, progressed to cert 3 then undertaken the diploma. They burn out very quickly before they have had a chance to use their qualification.

Another issue which is critical to the industry is the need to ensure parents are informed about what they should expect when placing a child in an early years facility. A parent recently said when attending a centre of excellence; a parent whose child was fulltime in an ABC centre last year, and now with a community based centre, "they cannot believe the difference in their child. He no longer goes home hungry, he cries when he has to go home and waves his parents goodbye in the morning. The parents said they did not have any idea how centres can be so different."

This comment is not unusual. Parents need to be informed in a way that is consistent across the industry. This is a role which should be undertaken from a Government perspective and periodically marketed nationally via the media to reinforce the information contained on web sites. Not all parents access the written information. There is a strong need to promote the rights of the child and the rights and responsibilities of the parents and the centres.

Possible solutions to this could be:

- Early Years services including child care and preschool should be seen as community service to care and educate children from birth to 6 years of age.
- Whilst it should be seen as a community service, private providers should only be allowed in the market under strict guidelines.
- No child care provider should be allowed to be listed on the stock exchange and that they remain a small business only.
- Child care centres should not be tied up in trusts.
- Private Child care owners/operators have no more than 10 centres at any one given time.
- A national combined financial, regulatory and quality assurance program be introduced (NFRQ). This may be undertaken by the representatives at a State level on behalf of the Commonwealth.
- The national financial, regulatory and quality assurance body (NFRQ) undertake the functions and activities currently being undertaken by Centrelink, DEEWR, CCMS, NCAC and DEECD.
- A consistent approach across the nation to the interpretation of the Act, Regulations, funding and service agreements and the Quality assurance.
- A revamp on how the child care benefit and the 50% rebate is allocated to the sector and the parents
- This could include removal of CCB and the 50% rebate going directly to the parent. That a subsidised rate per person is calculated and provided to the service provider. The balance is made up of user fees. The total amount should be equal to or greater than 65% of the centre budget and adjusted on an annual basis on an agreed industry negotiated amount to ensure all centres are viable. The adjustment must be made in line with movements within staff wages not CPI.
- Annual acquittal of funds be introduced.
- Financial audits 3 yearly or as required. This may be able to be undertaken electronically via CCMS, but may mean an on site audit.
- In the event of families experiencing significant hardship then that family may make application for financial assistance through the NFRQ.
- All of this can be monitored on CCMS.

- The development of a funding and service agreement between the NFRQ and the service provider for one or up to 10 centres under their ownership and licensing arrangements.
- Operators can have up to 10 centres on one licence.
- Training for NFRQ staff to ensure consistency in the assessment, licensing, monitoring and financial support undertaken or provided.
- More power to NFRQ to shut a centre down or allocation of significant fines in the event of consistent flouting of laws or substandard quality assurance.
- That Local Government once again become a leading player in the provision of childcare to ensure choice for families.
- That the Municipal Association of Victoria gets behind the childcare industry to ensure this remains a community service and not a profit making exercise.
- That the Federal Government changes the NCP legislation to exclude childcare to bring about a level playing field.
- That the Federal Government provide Capital funds to Local Government or community based entities for the setting up of new Child Care facilities in areas of need.
- That legislation be introduced to ensure all child care providers have sufficient resources which are made available to the staff for the children including an annual or as required upgrading and replacement of equipment.
- That a national Australian Standards Quality Assessment be introduced based on AS/NZ design principles but with realistic and objective requirements.
- All early years service under go a formal quality assurance process every five years and be give a star rating on the outcome.
- All centres must display in a prominent public place the star rating.
- In the event of a centre not being accredited, centres must be required to notify all parents in writing of the outcome and the action plan in place to ensure the issues are addressed and the parents are informed of the processes that will be in place for monitoring purposes.
- Consistency between states/regions with interpreting the Act and regulations and issues of non compliance
- Enforce non compliance / breaches of the act and regulations as they occur with heavy penalties. These to be in the form of on the spot fines or if necessary closure of the centre.
- Give a centre only 3 months to remedy poor quality. In the event that this can not be achieved then removal of accreditation status should occur immediately with removal of CCB entitlements.
- In the event of being successful in achieving accreditation at the 3 month review, the centre should only receive the status for one year and be required to undergo this process again.
- Spot checks to be undertaken by the NFRQ to ensure quality, compliance etc is evident at all times.
- Spot checks after a complaint should be made especially if the provider has indicated that they have remedied all outstanding concerns.
- Increase the number of NFRQ staff to ensure compliance and for the Children's Services officers to have the capacity to concentrate on the real issues.
- To increase the powers of NFRQ in addressing the issues of breaches of the Act and regulations.
- That National Children Services Regulations should ensure appropriate types and amounts of equipment required for education and learning for all children in a childcare facility is in place. A list of equipment required should be outlined in the operational hand book. NFRQ should then be able to check the levels of equipment to ensure that each child has access to same at all times.
- Development of a professional body for all early childhood staff to be registered with an annual renewal with a link to the Working with Children Check.
- Removal of Cert 3 as a prerequisite for the Diploma. People should be able to go straight into the diploma if they have the ability.
- Periodically undertaking a TV marketing campaign to promote what parents should look for when selecting child care and for the on going requirements of a centre.

- Develop a standard education kit which should be mandatory for each centre to give parents upon commencement at the centre.

I am happy to provide any further comment to my statement if required. It is hoped that a significant shake up of the industry is implemented to ensure the events of the last twelve months do not occur again.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Rosalie Rogers', with a long, sweeping flourish extending to the right.

Rosalie Rogers