

Childcare Associations Australia

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The Hon Bronwyn Bishop MP
Chairman of the Standing Committee on Family and Human Services
House of Representatives Standing Committee
Parliament House
CANBERRA ACT 2600

Submission**by****Childcare Associations Australia****To House of Representatives Standing Committee
on Family and Human Services****On Balancing Work and Family****Date: 22 May 2005**

Childcare Associations Australia's Background

Childcare Associations Australia (CAA) is the national peak body representing primarily Private Long Day Care centres across Australia. CAA also represents Community Long Day Care, Private Out of School Hours Care, In Home Care, Private Pre schools and Montessori pre schools throughout the country.

CAA seeks to:

- Provide a fundamental link between members of the Association and elected representatives, government departments, quality assurance systems and related support agencies,
- Assist members' to provide high quality services to Australian children and families,
- Increase member's understanding of issues that impact on the provision of high quality, accessible and affordable care;
- Work positively with key stakeholders to influence the future direction of children's services.

CAA welcomes the opportunity to respond to the House of Representatives Standing Committee on Family and Human Services on Balancing Work and Family.

As a provider of childcare services throughout Australia the members of Childcare Associations Australia speak daily with families struggling to balance work and family commitments. The Association believes that the key actions the Government can take to help families better balance work and family responsibilities are to make childcare more affordable and available.

Three interrelated issues emerge that impact on parent's decisions to return to the workforce:

1. Ensuring **affordability** of childcare for Australian Families – be it through Child Care Benefit (CCB), salary sacrificing /taxation arrangements and the 30 per cent rebate. Childcare is a vital service to Australian families and it must be affordable as well as available. The costs of Childcare continue to rise - the Consumer Price Index released on 27 April 2005 indicated that Childcare Costs increased by 12% over the previous twelve months compared with 2.4% for the price of general goods and services. There have been some breakthroughs as some industries and businesses move to support the establishment of services for their employees – however the salary sacrificing arrangements that are available to these employees need to be made more widely available across the community.
2. Ensuring that childcare remains **accessible** to Australian Families – particularly in rural and remote communities and for those children under two years of age. As private investors in the provision of infrastructure, there needs to be a degree of forward planning to meet all needs-the viability of existing centres and the opportunity to invest in appropriate green fields areas with some degree of certainty. The demographics of Australia require a need to focus on the future-and as outlined, child care has a huge responsibility for our national future.
3. A commitment to **quality assurance and continuous improvement** in all areas of our services. We are not child minders- we pride ourselves in our professional standards and service delivery, and we must continue to work on continuous improvement programs for ourselves as owners, for all our staff and for the facilities in which we work. As well parents will not take the decision to return to work unless their children have quality care options.

Exploring those principles of accessibility, affordability, quality, and choice involves:

- identifying ways to improve service-delivery flexibility, so that services can better respond to the changing needs of families while improving services to children
- ensuring that childcare is a viable investment for families within the context of the family budget
- promoting an understanding and expectation in the community about what good quality services really offer;
- improving child care planning and approval systems, especially through collecting and distributing good-quality information to prospective childcare providers. The sector wants new business, but it is essential to have well-informed decision-making resulting in growth going to high need.

CAA believes strongly in the findings of the EPAC report.

The EPAC Report established sound design-principles, and sound objectives that we believe the Australian Government could continue to focus on for the purposes of helping families balance work and family:

“(The) ideal of quality, flexible, affordable child care can only be achieved through the cooperation of parents, providers, and government” (p.xi)

A challenge in the work-family discussion is to find ways to be able to think about things from the perspective of the end-users.

CAA believes that the EPAC Task Force was correct when it said:

“What parents want from the child care system is clear enough: they want quality, affordability, and flexibility...”

We also continue to support what the Task Force said about opportunities for improvements:

“Our study of the child care industry has led us to conclude that the structures that have developed to accommodate the rapid expansion in demand for child care in the past two decades will need to change in order to enable all those who want child care to have access to it; and to ensure that the system can deliver on the challenges arising from changing work patterns and changing community expectations as we move into the next century

We have concluded that, while the existing formal system certainly benefits those in it, there are many outside the system who receive limited support. In addition, the current structure of the child care industry – with its complex regulatory and financial support arrangements and its separate development of types of care – is unlikely to be able to provide the integration and flexibility of services that is required for the future”.

Part of the work/family debate is about how to change present workplace cultures. Australia has built world-class child care systems, systems that are gateways and pathways to giving children and families the chance to reach their potential, systems that improve education outcomes, improve health outcomes, improve employment prospects (for parent and for child).

Another way the Australian Government can better help families balance their work and families is by helping to improve the coordination of the many agencies, and several levels of government that necessarily own some part of Australia's child care systems. Planned integration of services is necessary to address this.

On the one hand changing demographics and changing workplace needs are causing families to demand 'seamless child care services' while, within government, the ongoing reality is for further specialisation and fragmentation.

Some generic issues emerge that address the issues of work /family balances are:

1. Funding for children under two
2. The thirty percent rebate, including opportunities and support for industry based centres
3. Fringe benefits/salary sacrifice
4. Planning issues – providing greater accessibility including more flexible care arrangements
5. Wages

1. Funding for children under two

Babies (0-2years) are more expensive to service but are subsidised at the same rates as older children

Providers are making the decision that it is increasingly difficult to continue to subsidise the costs of providing services to children under two years of age. As a result, it is increasingly difficult for parents to have choice about returning to work if care is unavailable.

Care is not being provided to this group at the very time that brain-research evidence is confirming the fundamental importance of helping parents supply high-quality parenting in the first three years.

Increased subsidies for children under two, is essential to provide this much needed service. Many services now in their planning phases are not planning spaces for the under two's in their business development. A large percentage of mothers who have children under 2, and this could happen many times during their child bearing years and therefore extend over a long period, will be denied the opportunity to make a decision about returning to work as they will be more and more unable to access positions for their infants.

2. The thirty percent rebate (30% Rebate)

Affordability for families is the crux of retention of the Australian workforce

At the last federal election the Government, in announcing the introduction of a 30% rebate that "supports families choosing the child care service which best suit their circumstances" made an important concession that will improve affordability. One might also therefore expect that it would assist families to balance work and family commitments. However the announcement of the implementation mechanism by the Treasurer last December brings this into question.

The Treasurer announced that the tax rebate would be payable in the financial year following that in which costs are incurred. The Government must recognise that families make decisions on what they can afford to pay for childcare versus their wage on the basis of the weekly budget not the tax return for the following financial year.

The Association recommends that as part of the inquiry the Government reconsider the implementation mechanism proposed for the 30% rebate, so that fee relief can be delivered on a weekly basis.

3. Fringe Benefits/Salary sacrifice

Taxation and other matters impact on families in the choices they make in balancing work and family life.

In addition to the general issue of affordability there a range of more localised issues that impact families. These differ between States and also between regional and metropolitan areas. In some instances the same policy can impact positively in one area and negatively in another.

One example is the Fringe Benefits Tax that allows employees to salary sacrifice their childcare costs. It can be claimed where on-site childcare is available (as defined in s47(2) of the Fringe Benefits Tax Assessment Act 1986 (Cth)); if a company has a specific arrangement with a childcare centre (Esso Australia Ltd V Commissioner of Taxation [1998] 1253 FCA (2 October 1998)); and by individuals working for not-for-profit entities that are FBT exempt. Through this mechanism childcare is made more affordable for families on higher incomes through providing a subsidy of up to 47% in addition to the minimum CCB.

Within the ACT this creates distortions in the local market with parents making their choices about childcare not on the basis of centre of choice, but the centre offering the most affordable care available. Individual parents in the ACT have found the choices distressing emotionally as they are not necessarily in the best interests of their child. It can also influence the employment decisions made by parents.

However in NSW the FBT exemption provides an important incentive for establishing childcare centres in Sydney particularly, where the high costs of land means that assistance provided from employers seeking to establish on site childcare centres is critical. The Fringe Benefits Tax ruling is an important motivator for employers assessing the cost/benefits of allocating expensive CBD floor space to childcare.

4. Planning

Effective child care planning and approval systems are fundamental infrastructure requirements.

Australia's systems fall a long way short of where they could be and should be.

FaCS nationally does much good work to collect and distribute useful business-planning information, but there are many to improve the uptake of that extremely powerful regulatory tool – good-quality information leading to good-quality investment decisions leading to good-quality, sustainable services.

The problems are both practical and philosophical, but the starting point seems to be that the Commonwealth are concerned that *any* sort of child care centre planning mechanism is some sort of anti-competitive conspiracy that will keep new players out of the game, thus unfairly protecting existing operators, and prejudicing customers.

CAA does not seek to keep new operators out of childcare rather, it encourages new development. Existing operators benefit from a competitive market-place but only one that is properly managed. The profession does not want destructive levels of competition caused by needless oversupply. That forces closures. Closures are obviously bad for services and business operators, disruptive for children, and for parents, and for government. As always, the challenge is to get the balance right.

Prospective service providers should be well-informed so that they make sensible location decisions.

Planning Conflicts at Government Levels

The Commonwealth is the key player in terms of collecting and supplying the relevant information. Unfortunately, however, the planning approvals happen at the State and local levels.

At present, an applicant for a State licence often will not be directed to the potential to seek Commonwealth information until the end of the process. It should be happening at the start.

We appreciate that this Inquiry cannot, by itself, fix this coordination problem, but it could highlight it. Nevertheless, the Commonwealth and States could and should work together more effectively to ensure that proper-quality information is available, at the proper time, and that Local Government does have the legal power (and the responsibility) to take location and competition issues into account when considering planning approvals. The common-law power to do so probably already exists. But Councils, understandably, are not keen to get involved if they can avoid it.

Australia is now in a situation of severe undersupply in some regions and oversupply in others.

Australia faces a conundrum – there are clear signs of under-supply, at least in some geographic regions, for some age groups, and yet private investment does not seem to be responding quickly to the need. CAA believes that one part of the explanation is the sub-optimal planning and approval systems that seem to exist, at least in major capital cities, but probably in regional centres as well.

5. Wage conditions

The industry supports the need for a strong, well trained workforce. All parties need to make sensible decisions regarding wages and this links back to affordability. Continuity of Care is very important and many trained and experienced child care staff are leaving the sector because of wages and conditions

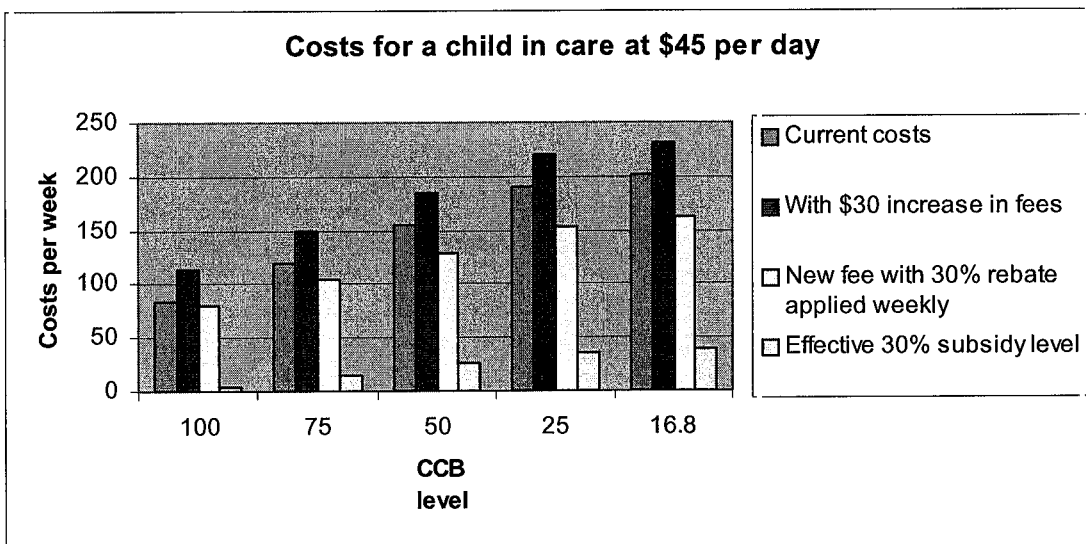
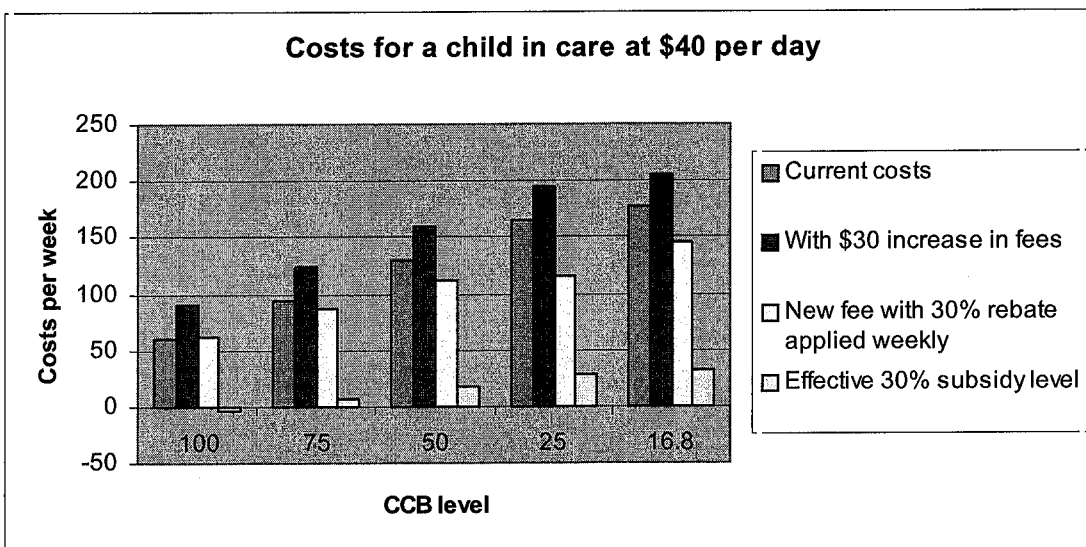
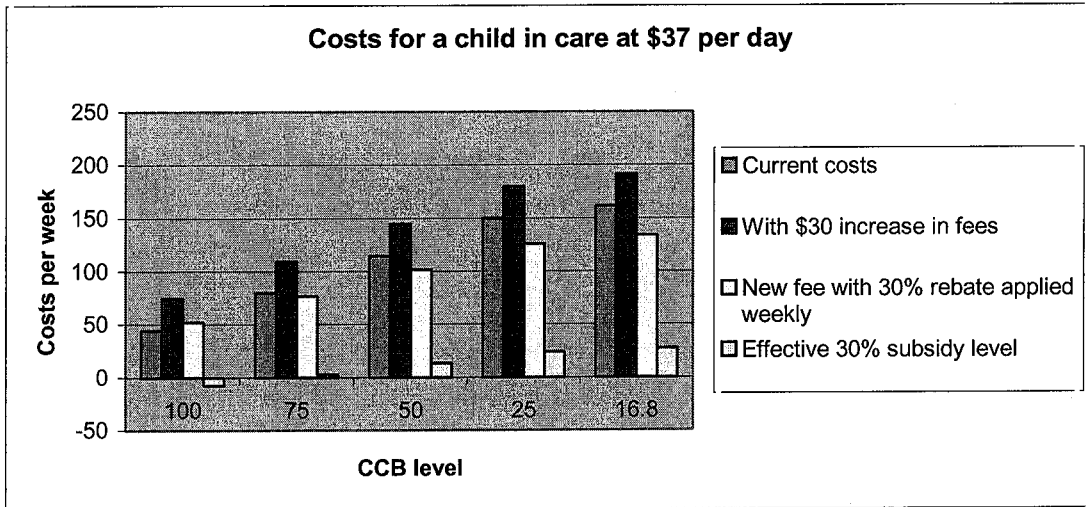
The recent decision by the Australian Industrial Relations Commission to increase the wages of childcare workers in Victoria and the ACT will result in a significant one-off increase in child care costs, and in turn affordability for parents. CAA is already seeing evidence that parents are reassessing their capacity to pay for current levels of care, and in turn their work/life choices. This will cause significant disruption for both parents and the sector more broadly.

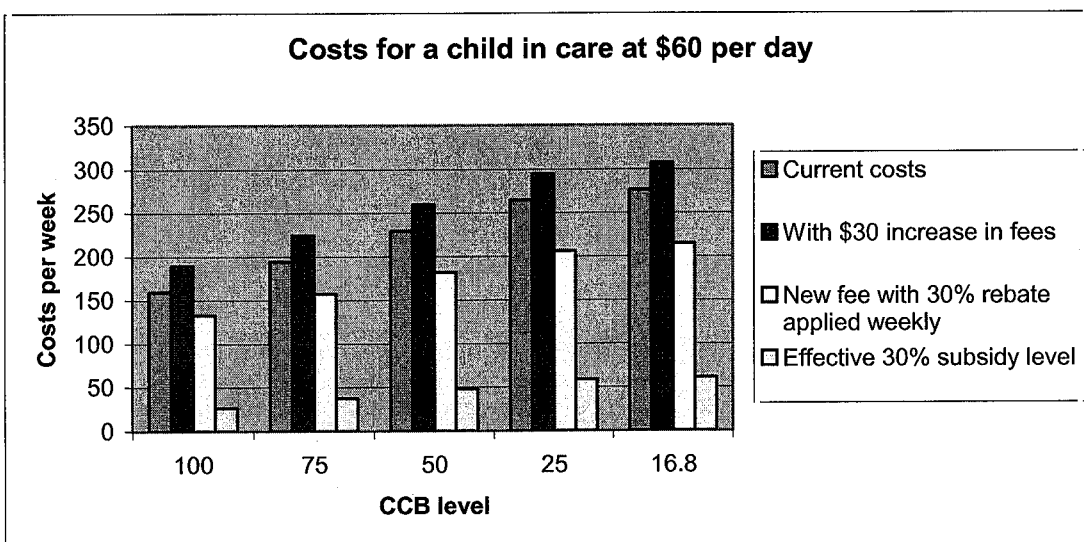
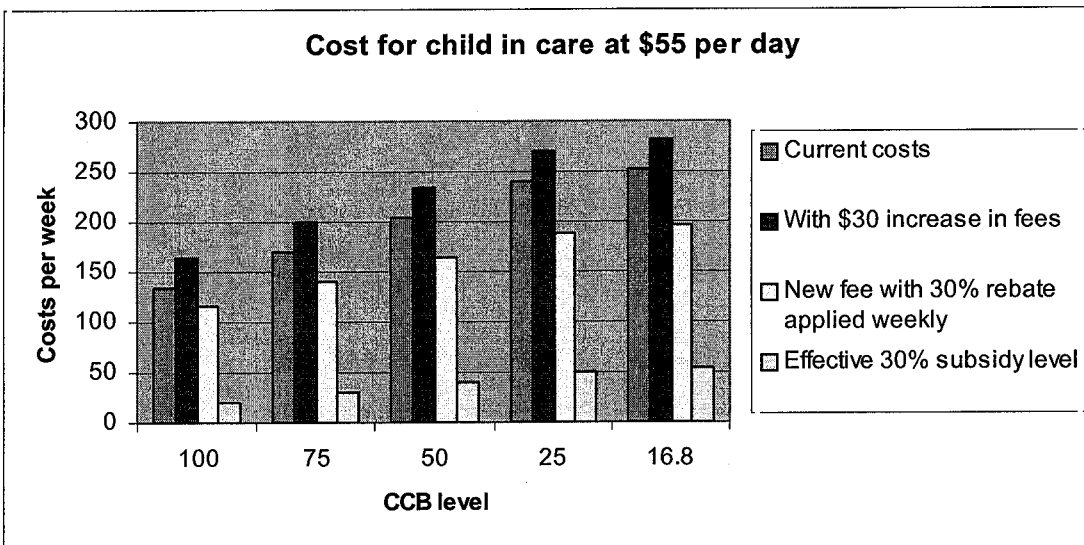
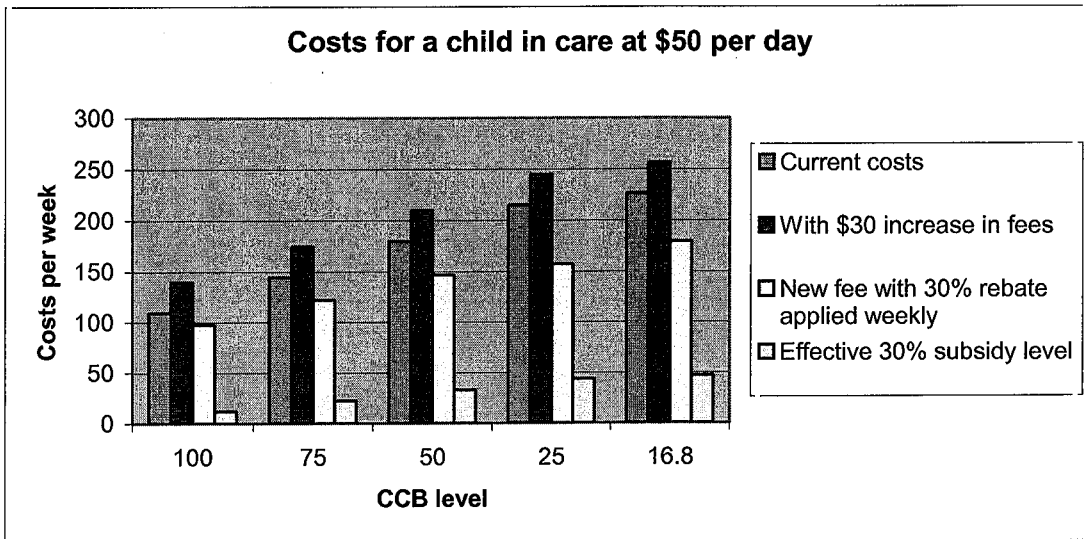
We suggest that the 30% rebate were to be introduced on a weekly basis it would offset the impact of the fee increase for all but the lowest income families with the lowest fee structures, as illustrated by the graphs below. This would maintain choice for struggling families and minimise disruptions for the sector.

Anne Clark

President

Childcare Associations Australia





Addendum 2

Teacher-training in NSW

The House of Representatives 'Increasing Participation in the Workforce Inquiry' reported in its Foreword that, "by 2030 Australia will have over 500,000 jobs with no one to fill them. A combination of skill shortages in key industry sectors ... will place even greater stress on Australia to lift its participation rate from its current 63.8 per cent".

One sector already suffering such shortages is the child care sector in New South Wales where the policy of the State regulator (the Department of Community Services) has been to insist on degree-trained graduates to fill certain mandatory teaching staff member regulatory requirements.

The sector is having trouble attracting the right numbers of degree- trained teaching staff members possibly because not enough are being produced in the first place. These supply issues need investigating.

The sector is also unhappy with the training content of the graduate courses. In NSW the degree-qualified graduates are not getting the right blend of skills needed for a play-based, early-childhood setting, one that necessarily requires staff to connect with parents, and with parenting, and to engage with children aged 0-3 years.

We ask the Committee to consider our views in the hope that, through the Commonwealth's influence, relevant training-providers might be persuaded to sit down with the whole child care sector to explore ideas on what the problems might be, and the solutions.

The recently appointed senior staff at DoCS seem to be willing to investigate this important workforce in NSW. An appropriate recommendation from this Committee may serve a useful purpose in developing the impetus needed to secure change at the training-provider and State regulation levels.

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