

Secretary
Senate Employment, Workplace Relations and Education Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600



eet.sen@aph.gov.au

19th January 2007

To Whom It May Concern:

Re: Inquiry into the Employment and Workplace Relations Legislation Amendment (Welfare to Work and Vocational Rehabilitation Services) Bill 2006

The National Association of Community Based Children's Services (NACBCS) is the peak representative body for not-for-profit community owned and managed children's services in Australia.

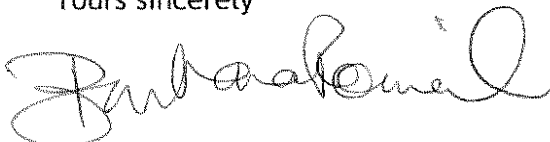
While NACBCS and our member services may not be directly affected by the proposed legislation amendments, we do have grave concerns about the move to a contestable market for vocational rehabilitation services from 1 July 2007 proposed by the legislation amendments.

NACBCS concern stems from our experience within the children's services sector and the detrimental impact of opening children's services up to a competitive private market. Irreversible damage has been done to the children's services sector since it was opened up to the contestable market as evidenced by decreased quality, loss of public confidence and a concern for profits rather than children. We fear that the same outcomes would occur within vocational rehabilitation services should these legislation amendments be passed.

Attached are two NACBCS papers on the impacts of privatisation on the Australian children's services system. We urge you to examine the experiences of the children's services sector to ensure that the same mistakes do not occur in vocational rehabilitation services.

Should you require further information please do not hesitate to contact me on 03 9486 3455.

Yours sincerely

A handwritten signature in black ink, which appears to read "Barbara Romeril". The signature is fluid and cursive.

Barbara Romeril
National Secretary, NACBCS
Executive Director, Community Child Care Association of Victoria

The Changing Face of Child Care in Australia

Lynne Wannan, Convenor Australia's National Association of Community Based Services and Chair Community Child Care Victoria, October 2005

Several years ago in Australia we were like you here in Canada – we had no corporate child care; child care owned and operated by very large for profit companies with obligations to shareholders. In fact we'd not heard about this beast. Our child care system began to take shape during the 70's when the women's movement was at its peak, tertiary education was free and women's workforce participation was on the rise. Child care largely grew out of small, community based initiatives, sometimes supported by local government. The community based child care sector expanded rapidly in the 1972 –'75 period under the Whitlam Labor government when capital grants and operational subsidies became available. The not for profit sector was under tight planning controls, budgets were approved by government and services only funded in localities of identified need .

In 1991 all that changed, a planned child care system became a market based system when government funding became available to the commercial sector. A child care subsidy program became a business subsidy program, via subsidies to parents.

The 1991 funding changes seeded the chaos in children's services in Australia – chaos that has never been fixed. Since 1991 the expansion of the service system has been driven by the profit motive rather than need, quality has become a secondary consideration and downward pressure on staffing costs has driven out experienced and qualified staff and held down wages.

Up until that time I, and others involved in children's services in Australia, believed we had made a great start to developing a fair, equitable and universally available children's services system. The building blocks were in place and gradually we could have built one of the best systems in the world. We had many aspects right; systems to allocate funds to identified areas of high needs, sustainable and affordable national funding arrangements, engagement of state and local governments and of course, strong local community involvement in all aspects of planning, development and delivery. There was some way to go in relation to quality as we

understand it today, there needed to be a greater recognition and reward for qualified staff, we wanted more rapid growth and there needed to be better guarantees about affordability.

We had a good foundation but it all came unstuck.

It's a sad story of surprisingly poor understanding of the realities of the 'market' by government policy makers and rampant ideology driving policy forward in the face of evidence of its failure.

Today 70% of our child care services are privately owned, 25% of our services are owned by one large shareholder corporation. Should these private companies decide their real estate investment brings a better return than their child care business, or the return from the child care business fail to grow sufficiently to meet shareholder expectations, they could close the business and walk away. Australia could lose the bulk of its child care system. Federal funds have subsidised property investment by business.

The market has not led to increased competition and thus lower prices. The reverse has occurred. The corporatisation is consolidating the market in fewer providers hands and in spite of the rhetoric of improved efficiencies that 'business' brings, prices have gone up. Staffing costs have been reduced from 80% in the not for profit sector to 50% or less in the commercial corporate sector. How could this be achieved without breaching staffing licensing or quality assurance requirements? Why is that with operational efficiencies and cheaper staffing this sector does not have lower fees for families?

Federal funding, millions of dollars, to these private for profit companies has failed to deliver a sustainable system of publicly owned, affordable quality services. Choice is disappearing and the future is uncertain.

How this unfolded is the story I shall tell, giving the lessons I have learnt, having been involved over the whole of that 35 year period, the mistakes those of us who are on the side of not for profit provision have made and of course, I'll provide the sermon on what you should do to avoid the problems we now face.

Seminal Changes and the drivers of change

Our beginnings were much the same as yours and other western countries. The women's movement, women's changing workforce participation through the 60's and 70's and the self help movement and community control debates, influenced the early policies that resulted in Government funding for child care. It wasn't an easy period as the debates about women working, the tensions about kindergarten vs child 'minding', the pros and cons of non maternal child care amongst others, were raging (not too different to today really). However, we did have a National Labor government, elected in 1972, that was committed to social justice and a 'bottom up and joined up approach' to service delivery. This saw the beginning of significant funding to community based child care and a submission model based on the goal of universal access.

At this time the national government provided capital funding and recurrent 'operational' funding to child care services that were public, non profit and community based. Parental participation was a high priority, recognition was given to the need for qualified professionals, local government was given a strong role in needs assessment and planning and a priority needs based funding approach was adopted. State governments provided land for service development and a regulatory framework. Local governments also assisted in a variety of ways with land, capital contributions, community development roles and various support roles. These were extremely valuable dollar and in-kind contributions that ensured services were built and supported. While the outcomes varied from State to State, this era was one in which the Federal government established a leadership role and provided a national approach that recognised the need for government investment in child care for all children. This policy approach provided the foundations for the children's services system in Australia today, a foundation of community based child care centres (otherwise known as long day care).

Through the next decade child care advocates found that there was no room for complacency and the battle to retain government funding, the arguments about the role of women and the pros and cons of child care continued. I won't elaborate here on these debates as I'm sure they're struggles you have experienced also.

In Australia, the most significant changes to our child care system occurred:

- In 1991 when the Commonwealth funding, a fee relief program called Child Care Assistance (CCA), was extended to private for profit long day care services
- In 1997 when the operational subsidies to community based services were removed
- and in 1998 when planning controls determining the location of services were removed.
- In 2001 private operators of outside school hours services were given access to government funding

A number of factors led to these outcomes. The coalition government, a conservative, economic rationalist government, came into power in 1975 with a promise of cuts to government expenditure. It had an ideology that favoured families and stay at home mothers as opposed to child care. Prime Minister Malcolm Fraser argued that the role of government was not to provide services but to create an environment in which the market could flourish and individuals could find their own solutions to private problems such as child care¹.

There were very strong conservative forces arguing against the concept of universal child care and for the stay at home mother, most notably a group called the Lyons Forum made up of conservative members of the government who met in secret to caucus and devise tactics to progress a conservative agenda.

So the combined anti child care groups and the economic rationalist forces moved the government away from a goal of universally available, affordable, publicly funded, community based child care. It was a convergence of different agendas; those who wanted women to stay at home; those who wanted to reduce government expenditure and those who thought the market solved all problems.

Whilst the 'women stay at home' lobby would have preferred to wind back child care altogether, this was politically difficult so the funding of the for profit sector was aimed at also reducing government expenditure on child care and letting market forces determine availability.

The government was in for a surprise. Ignoring warnings from the community sector, the government placed no controls on the private for profit sector nor capped the Child Care

¹ Brennan, D The Politics of Australian Child Care, Philanthropy to Feminism and Beyond, Cambridge University Press, Revised Edition 1998, p. 97

Assistance (fee relief) that fuelled the profitability of the commercial sector. This was a major shift away from the planning approach that had controlled the growth and the location of the community based sector and as a consequence government expenditure rose sharply!

The government expected to make savings by withdrawing capital subsidies and the operational subsidy paid to non profit providers. The government estimated that there would be an expansion of 28,000 places over the next 4 years following the 1991 decision but this was exceeded in the first year. The extension of child care assistance to the for profit sector doubled the government child care outlays between 1991 and 1998.

Commonwealth expenditure on child care services increased from \$525million to \$1,135 million. The for profit sector couldn't build centres in lucrative areas fast enough. With uncapped subsidies their return on capital was guaranteed. While the fee subsidies escalated, virtually out of control, expenditure on capital grants and capital upgrades and operational subsidies which benefited the community based services, fell. Over the 10 year period 1991 – 2001/02 fee subsidies increased from 64% to 80% of Commonwealth child care expenditure while all other subsidies fell from 32% to 11%.²

This escalation in expenditure was almost entirely due to uncontrolled commercial development as the growth of community based services ground to a halt.

² Australian Institute of Health and Welfare, Australia's Welfare 2003, AIHW, Canberra pp.243
Lynne Wannan, Convenor National Association Of Community Based Children's Services Australia,
Presentation for Canadian Tour, Corporate Child Care The Australian Experience, October 2005

Loss of Planning Controls

The 1991 decision to fund the for-profit sector which began the budget blow-out was compounded in 1998 when the planning controls were removed.

The development of child care centres was chaotic and totally unrelated to any government policies or priorities. There was a flood of development in the sunny northern State of Queensland. Retirees had moved north to this warm coastal part of Australia with lump sum superannuation payouts which some invested in child care development. There was little demand here for work-related child care which had been a priority for government funding of the community based sector, so the government funding was diverted from this policy goal.³

In the absence of planning controls and with the subsequent loss of capacity to ensure public funds were used to meet government priorities, wasteful and damaging competition from the commercial sector became a feature of the children's service system. Publicly listed companies were formed to raise capital and provide for rapid expansion. Standards were lowered, poorly paid and inexperienced staff employed and dubious practices crept in as larger providers built bigger centres and strove to get economies of scale. As they became larger they used predatory pricing to drive smaller community based services and even small private operators, out of business. These new entrepreneurial developers opened up services close by existing community based services. There were closures across the country. In the State of Victoria, where small centres were the dominant form of provision (typically 35 place centres catering to 0 – 5 year olds), 19 centres closed. This was a scenario hitting other states in Australia too and across Australia between '97 and '99 47 community based services closed as new commercial centres opened.

Although some high income areas had an over-supply of child care places the for profit corporate sector's practice of taking over or driving existing services out of business did not always lead to a net gain in child care places. During this period demand for child care grew, partially due to the continued increase in women's workforce participation but despite the dramatic increase in government outlays, the commercial growth did not really address their need. In particular, there was no real improvement in affordability for most Australian families.

³ Brennan, D op cit

An Australian Bureau of Statistics survey in 1999 found the main reasons parents gave for not using formal child care were "too expensive" (33%) and "no places available" (14%).⁴ There was also growing evidence that while there was unmet demand in some places, in others, there was oversupply⁵. Commercial child care operators tended not to cater for under 2 year old children because of the higher staff: child ratios that were more costly to deliver. Waiting lists for community based services, which did care for babies, were growing – but without any expansion of the sector. Australia's child care system was in a mess. The market based model that sent community based services into decline and increased government outlays, increased the cost to users while failing to match supply with demand.

Easy profits and market failure

Those wanting to make profits opened up services where, when and for whom they wanted or bought existing ones. The child care system became the victim of classic market failure. The availability of government recurrent funding was a huge incentive for people wanting to establish a business to choose child care but only where and in a way that it was easy to make money.

As Adele Ferguson wrote in Australia's Business Review Weekly in 1994;

' Generous government funding of child care, a variety of government financial assistance schemes, tax loopholes and even exemption in some areas from fringe benefits are underwriting the success of this 1990's phenomena.. For many property owners and developers, including foreign residents, the flood of government money is a lifesaver and possibly a license (sic) to get rich.

The subsidies were a very significant stream of guaranteed public funding.

"CCA was about 70 -75% of a centre's income – guaranteed flow of Government funds paid in advance."⁶

⁴ AIHW op cit pp. 244

⁵ Ibid

⁶ Loane, Sally, Who Cares, Reed Books, Melbourne 1997

Lynne Wannan, Convenor National Association Of Community Based Children's Services Australia, Presentation for Canadian Tour, Corporate Child Care The Australian Experience, October 2005

The Business Review Weekly described child care as the 6th hottest business sector, beaten only by casinos and mining sector industries⁷.

Investors entered the children's services system with no knowledge about child development or child care provision and certainly no understanding about the importance of social infrastructure to building strong communities with families connected to each other. Children were the new commodity.

Increasing dominance of private providers

Families' choice of community based services has been reducing as the corporate sector has grown.

Here's a quick look at how the Australian child care system has changed over the last decade and a half.

Once the major provider, the community based sector is now shrinking as a proportion of overall provision.

The community based sector is still a diverse one. The sector includes parent managed committees responsible for single services, local government and other large not for profit organisations such as churches. This slide shows the break up of the sector in the State of Victoria.

In contrast to the community based sector the commercial long day care sector is becoming increasingly consolidated with one major corporation, ABC Learning Centres, taking more and more market share. From 1 centre in 1988 to 3 centres in 1993, ABC Learning Centres now has 740 centres across Australia and controls more than 18% of the market. This company was publicly listed in 2001.

⁷ Business Review Weekly, 100 Sectors Set To Take Off... and Some Fizzers, Australia, July 25 1994 pp.51
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What has this change in ownership meant for Australia's child care system and it's children?

As these data indicate, there has been expansion of child care places but at enormous cost and poorly distributed. In 2004, 338,667 children attended child care centres; two thirds of these were in commercial child care centres.

So, as provision has expanded and costs have gone through the roof, what has been lost and what risks and challenges does the system face?

I know I need to qualify what I say with an acknowledgement that there will be problems with any system of child care or any other service for that matter and that being community based does not guarantee best outcomes everywhere all the time. I also know there are commercial providers who are very committed to providing great services for children and who have strong relationships with parents but here I go...

To understand the effect of the change it's important to go back to basics and ask "what is child care for?"

In Australia's child care development history there were very clear goals. Child care services were community services that aimed to:

- foster child development
- support families and create networks of support
- enable women to stay in the workforce
- build community

The community based movement aimed to develop quality services that supported children within a context of family and community.

The important contribution that early years services bring to children's development is now well known. It could be argued that the need for services that foster child development is even

more critical today than it was in the past. Today's children face a complex future, one in which issues of inequality, poverty, racial and religious tensions can be expected to become more challenging.

We need resilient, competent, well adjusted individuals living in well functioning families and communities.

We know the early years are most critical to child development and thus we know that providing the right kind of care, support and learning environment is important.

We pretty much know what fosters children's development and there is evidence to show that early interventions do affect developmental outcomes (your own research by Mustard and McCain in 2002 and Shonkoff in the US 2000 amongst others are now widely used to support this contention). I'm not going to debate the pros and cons of child care here but I am going to start with the premise that once children are in child care then it's far better to be in high quality child care.

There is also fairly universal understanding of what is quality provision in child care. The following is a list of factors that are widely accepted as being important. I've drawn on various pieces of research and the Australian experience to compile this list.

A quality child care system is one that all children can have access to. In Australia we refer to a universal system. This is a system of services that can support all children by ensuring a base of primary level services, such as child care, is available for all children and that this is then integrated and co-ordinated with more specialised supports and additional resources.

Thus to have a system that supports all children in the critical early years we need:

- High quality services
- Affordable/accessible services
- An integrated system of early years services and supports that can meet needs holistically
- Universal availability so that the most vulnerable have access

What is the commercial sectors' track record on quality child care provision?

I have some examples of problems that have been made public, but before I turn to them, let me quickly describe the Australian regulatory regime.

Regulations

Australia has two kinds of regulations for child care. Each state has regulations that govern physical aspects of the services such as child to staff ratios and space requirements. The national government has a quality improvement assurance system that was introduced once the for profit sector received government funding. Currently there are no spot checks of conformance to the Commonwealth Quality Improvement Assurance requirement, which is essentially a self assessment process. Validators visit services to check compliance after making an appointment to visit. Anecdotally we hear how services bring in equipment, staff and whatever else is needed to comply on the day of the visit.

In 1988 when new regulations were being proposed in Victoria the community sector supported and in fact had lobbied strongly for them. The for profit sector opposed them. The president of the Australian Federation of Child Care Centres (peak body for the for profit private sector operators) opposed requirements to employ qualified staff stating that:

"All that is required is that staff should be over 15 years of age, in good health and sufficiently mobile to care for children."

and in relation to regulations about the nature of the facility:

"Desirable as it may be, the need for outdoor play space can... hardly be seen as essential."⁸

Then, when the Commonwealth introduced the national quality assurance system it was supported by the community sector and opposed by the sections of the commercial sector whose representatives argued that:

⁸ Colyer Farfella, V & Cafarella, J, Child Care Debate at the Crossroads, The Age newspaper, Melbourne, July 1 1988

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"The market is the best, and only appropriate arbiter of the quality of services" and that it would increase costs on an already overburdened sector by adding an unnecessary layer of bureaucracy and paperwork.⁹

And now –

One of Australia's largest banks bases its lending for child care facility development on the budget of a large corporate child care provider and stipulates staff costs are to be no greater than 50% of the operating budget. It is very hard to see how this could not be a breach of regulations about staff: child ratios – unless other items were very costly or wages very low! The community based sector generally operates with staff being around 80% of the overall budget and even in very efficient well run centres this rule of thumb generally applies.

The quality system is not really enforced. 180 child care services in Australia are not accredited by Australia's quality improvement assurance system and yet still access public funding.¹⁰

Here are some of the problems as reported in the media. I won't provide the names of the offending companies as they tend to try and sue.

"A childcare centre will be prosecuted after a 14-month-old was locked in after closing time. The centre in Victoria is owned by a childcare giant ... is charged with inadequate supervision of children and failing to accurately maintain attendance records.¹¹

"The Department for Community Development (Perth) is seeking to prosecute a childcare centre which left a four year old boy alone for more than two hours last month after staff locked up and left him...¹²

From a parent, Rochelle Hinson, in a centre acquired by a large commercial operator -

"They increased the fees. They tried to cut the children's food and nutrition budget and the cook's hours. Think of their age group it's their most important time for growing, how can we be cutting their food budget? How can (the shareholder company) do that?"

⁹ Brennan, D pp. 201

¹⁰ Sunday Age, Melbourne, December 5, 2005

¹¹ Beauchamp, P. Childcare centre charged, Herald Sun newspaper, April 29, 2007, Melbourne

¹² Child Care Daily News online, June 14, 2005

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In a centre taken over by a large corporate chain the Age newspaper reported that:

*"Money became a preoccupation. The centre previously spent between \$500 and \$700 per week feeding children. The new owners slashed this to \$350 a week, before realising it was not enough for a nutritional diet."*¹³

All but two of the original 30 staff left this centre.

The journalist writing this piece interviewed a staff member who had left the centre and gave the following response when asked why she had decided to leave.

*"I couldn't stay in an organisation that I felt was not supporting the fundamentals of children. The bottom line always came to money, not to the child and the child's right. The professionalism of the staff was always down turned by not employing professionals because they cost too much."*¹⁴

Another recent reported breach of very basic hygiene standards was reported in NSW.

"A giant childcare company has been prosecuted over embarrassing bungles at one of its branches, including mouse droppings on bed sheets and red back spiders in a storage area that was accessible to children. Other issues included mouse traps on nappy change tables, unlocked cupboards with dangerous cleaning and other items, no smoke detector and confidential records on public display. ...case is the latest of 13 prosecutions in the past two years over matters including inadequate staff numbers, unclean or unsafe premises and being unlicensed.

and in the same newspaper report;

*Documents provided by the Department of Community Services(DOCS) show one operator, -- near Cessnock -- has been in court twice recently on a series of breaches. Among its penalties were two lots of 18-month good behaviour bonds."*¹⁵

¹³ Birnbauer, W. & Dowling, J. Sunday Age, December 5, 2004

¹⁴ Australian Broadcasting Corporation, 7.30 Report, reporter Emma Alberici, March 29, 2004

¹⁵ Killer Spiders at childcare, Daily Telegraph NSW, September 19, 2005

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Another aspect of quality in child care service delivery is programming. This an area addressed by our national quality improvement assurance system where programs are to be developed and documented. Families using the service are to be engaged with this process to ensure services are responsive to local needs. However, it's possible to get around this by adopting a McDonalds, or as you call it, Wal Mart model of one program fits all.

Alma Fleet, head of the Institute of Early Childhood at Macquarie University, NSW states:¹⁶

"centrally delivering programming from an office building in Brisbane (capital city of the northern state of Queensland) to different centres around the country is a move that disenfranchises the local community"

While Australia does have a consistent national approach to early childhood curriculum to ensure that program delivery is developmentally appropriate, there is an expectation that the programs delivered by services will be responsive to the particular children within each service. How responsive to individual children can a nationally standardised program be?

There is also concern that child care operators are becoming registered training organisations and training staff totally within the one business. The notion of the importance of breadth of experience and exposure to different forms of practice is discarded in this new approach. This would be especially disturbing if the single experience was in a less than good environment.

There is a further concern that the commercial sector has historically not included children with complex needs or those who are more expensive to care for, in their services. This includes babies, children with disabilities and indigenous children. Dr Deborah Brennan, Australia's leading children's services historian, writes:

"...unlike public child care centres, most commercial operators do not cater for children with special needs (such as those with physical disabilities or developmental delays or both) or provide programs for children from a range of ethnic and cultural backgrounds, or accept large numbers of children deemed to be at risk of abuse from their parents. All these services are expensive to provide. However their provision, according to the community child care groups,

¹⁶ Taylor, Peter Child, Daycare stocks cutting teeth, Financial Post. Dec 9th 2002, Australia
Lynne Wannan, Convenor National Association Of Community Based Children's Services Australia,
Presentation for Canadian Tour, Corporate Child Care The Australian Experience, October 2005

contributes to the well being of society and leads to savings in other areas – for example by removing the need for remedial education when children are older.”¹⁷

It is crucial that the primary level service system is universally accessible. It will not be possible to support the most disadvantaged and needy children if the child care system excludes them. Public investment in the children's services system should not allow service providers to pick and choose the children who can access this funding. Inclusion of all children should be addressed within the quality assurance framework. Allowing the primary services system to exclude certain children will lead policy makers and advocates for these children to call for targeted responses which will compound the social isolation of these vulnerable children. The commercial sectors unwillingness to include these children should not be rewarded with additional specialised funds.

The community based sector has championed a model of inclusion throughout the early childhood system. The loss of growth of community based services has diminished the capacity of the whole system to be responsive to all children. The poor performance of the for profit sector in this regard has undermined universalism as a principle upon which the system is built. The risk this brings is a greater reliance by policy makers on evidence based approaches that shift the focus onto symptoms rather than causes; targeted interventions rather than more accessible universal measure; and more immediate or popular concerns such as obesity rather than fundamental determinants such as poverty. In a privatised market those who are poor always get the worst on offer, the cheapest and little choice.

We do not want to see separate services for children or places for the victims of market failure. As Sunquist in his book, *On Fighting Poverty*, analysing the outcome of the American War on Poverty writes;

“There is a remarkable degree of consistency in sociological findings that special services for the poor inevitably become stigmatised services. No matter how hard governments might try, and no matter how good their intentions, it is not possible to develop special services for the poor that do not stigmatise them.”¹⁸

¹⁷ Brennan, D pp.192

¹⁸ Sunquist, J.L, *On Fighting Poverty*, Basic Books, New York/London 1969, p.244

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One of the other very disappointing outcomes of the new child care delivery mode is the loss of community and the loss of community service. For profit operators are not primarily concerned with delivering community services they are operating businesses and as Milton Friedman stated:

*"The social responsibility of business is to maximise profits."*¹⁹

The community based sector is not about self interest but about public good. As one of our academics puts it:

*"Nonprofit organisations not only make a significant contribution to the economy, they are also an essential component of an open and tolerant society and of a democratic political system. They are the product of the willingness of some people to work together for some common good (for themselves –mutuality; or for others – altruism). Their defining characteristics, that they are prevented from distributing profit or net assets to members, ensures this commitment to a wider goal than the enrichment of their members. It defines their behaviour as organisations, and means they behave differently to government agencies and for profit businesses."*²⁰

I am even more frustrated and disappointed when I see how Australian governments respond to suggestions that for profit providers operate schools. The Minister for Education in Victoria, Lynne Kosky, made the following comment in response to suggestions that a large corporate child care operator was interested in expanding into education.

*"We believe that schools should be established in the best interests of the child, rather than for reasons of profit. They really have to have as their sole purpose the best interests of children"*²¹

Similarly in Queensland when facing a similar move, the Parliament introduced legislation preventing private companies receiving state taxpayer funding for profit making schools.²²

¹⁹ Kay, John, Capitalism Betrayed on the damage don by an economic model that is both repulsive and false, The Australian Financial Review, June 6, 2004

²⁰ Lyons, M. University of Technology, Sydney, Trends Affecting the Association Environment or The Profound Challenge Facing Non profit Leaders, Paper to AuSAE National Conference, Canberra, Australia, May 12, 2004

²¹ Green, S. State ban on schools for profit, Melbourne Age, September 8, 2005

²² Ibid

Why doesn't the same conviction apply to an equally critical service for children's development
– child care?

A Litigious Environment - Australia's Early Childhood Sector

It's extremely difficult to really address this problem of poor quality and even breaches of government regulation, because these large commercial providers are extremely litigious. This has prevented staff and most of us speaking about their direct and indirect of the endless stories we hear about poor quality and regulation breaches. For Government it is a problem of because of the high cost of defending legal challenges when they try to enforce regulations. The following is an example of a large corporate responding to criticism from a union when advocating for improved staff wages.

*'... Bitter industrial disputes and claims of miserable operating conditions are creating a potent mix that will change the business comprehensively. (The large corporate) has begun an unprecedented defamation action against the biggest union in child care, the LHMU, and the sector is still reeling from a dispute in Western Australia, where police were called to intervene in a protest by child care workers'*²³

This is just one example but community sector advocates have also been threatened with legal action. It seems that a confrontational response to criticism is regarded as appropriate behaviour, at least by one person playing in this new arena.

Eddy Groves, joint CEO ABC Learning Centres gives this warning himself:

"Anytime anyone stands up and says a falsehood about me, or my friends, or my family I'll go 'em"²⁴.

Corporate competition is ruthless, something we were not familiar with and the small commercial services have also found this to be the case. William Birnbauer and Jason Dowling in a Sunday Age newspaper special investigation into corporate child care cite the following example.

²³ Kirby, J, "Millions Milked – Claims of Mismanagement Threaten the Rapidly Expanding Child Care Industry, Business Review Weekly

²⁴ Tabakoff, N McDaycare, Daycare Dynamo: the ABC of Eddy Groves' success, The Bulletin, August 23, 2005 p.50

"The outlook was bright at first. Hope Valley is an established suburb on the edge of the Adelaide Hills, and demand for child care from surrounding suburbs is high, with waiting lists of up to two years.

Ms Roberts and co-owner Nicole Manning had spent \$50,000 on building upgrades and had bookings for more than 30 children in their centre, Li'l Sprouts. That's when Australia's child-care colossus ..., struck, leaving them and 12 staff in limbo.

The large corporate appealed against the local council's approval of the centre, arguing Li'l Sprouts was too close to its own child-care centre, 700 metres up the road."²⁵

The big corporates are also trickier than we are used to. In the following example, reported in Melbourne's Herald Sun newspaper in April this year, the owners of the child care centre prosecuted for a breach of regulations, place the blame on it's relatively inexperienced worker.

"A toddler who climbed the fence of a child care centre on a busy road was missing for up to 20 minutes, a court was told yesterday.

... Two women who lived nearby returned the boy to the centre about 20 minutes after it was noticed he was missing.

He was unharmed, but his escape on April 17 2003, led to (the large corporate) owner of the childcare centre, facing charges by the Human Services Department of inadequately supervising the child and failing to protect him.

The company, which runs several child care centres in Victoria, has pleaded not guilty to the two charges, which each carry a maximum fine of more than \$5,000.

The large corporate's barrister, Ross Ray, QC, said the evidence presented did not demonstrate a failure to supervise.

He said if there was a failure it was "very much a low level of failure" that could not be attributed to the company.

(The worker) was sacked about a week after the incident for misconduct relating to Zachary's disappearance."²⁶

²⁵ Bimbauer, W & Dowling, J, \$3.6bn child's game where it's play for keeps, SUNDAY Age, Melbourne December 5, 2004

²⁶ Fiamengo, M. Centre Blamed for tot's escape, Herald Sun, Melbourne, April 5 2005
Lynne Wannan, Convenor National Association Of Community Based Children's Services Australia, Presentation for Canadian Tour, Corporate Child Care The Australian Experience, October 2005

Market Efficiency

The growth of the commercial sector and its supposed efficiencies has not delivered cheaper child care for families. The cost has risen over the years at a greater rate than the CPI. A corporate chain in Tasmania was reported in the Hobart Mercury as increasing its fees as a result of a rise in the childcare rebate (Commonwealth funds), a consumer prices index rise and a rise in the federal award.²⁷ The new rebate was supposed to improve affordability for parents not increase the profits of corporates and, in addition, the award rise increase not affect Tasmania.

For schools that have privatised outside school hours care there has been no reduction in cost either. In fact as Fred Ackerman, president of the Victorian Principals Association was reported to have said in Melbourne's Sunday Age, September 25, 2005:

"It is generally more expensive when an outsourced arrangement is in place"

Mr Ackerman also said it was more expensive for parents, there is a loss of quality control with canteen food but the service would be run in a more business like fashion.

This is an attack frequently experienced by the community sector. The commercial, for profit sector generally, assumes the not for profit sector is inefficient and unbusinesslike. We are lectured on everything from governance, accounting, competitiveness and unit costing to how to market our services and become more like 'them'.

The community child care sector in Australia has been remarkably savvy and sophisticated as it has delivered true community services. The evidence for the contrary is shaky. In Australia the community based sector has existed for decades, long before the commercial sector arrived. The community based sector established all the benchmarks for service delivery. One indication of the efficiency and resilience is that it has survived, been able to maintain high standards and overall numbers and has the longest waiting lists in such a hostile and competitive environment. This has particularly been the case in Victoria where there has been a strong philosophical commitment to community engagement and locally integrated and co-

²⁷ The Mercury, Tasmania. July 26, p.8

ordinated services. It's, in fact, a very successful and sustainable business model that is also ethical and socially responsible.

There is growing concern that the entry of corporates into child care is at risk of reducing competition in the market and diminishing choice for families. The chairman of Australia's Competition and Consumer Commission (ACCC), when investigating an acquisition by Australia's largest child care company stipulated that the company could not acquire any further childcare centre licences in certain regional areas in NSW, Victoria and Queensland. He stated that:

"The ACCC considers that this undertaking is necessary to ensure that the childcare prices do not rise as a result of the merger and that, in particular, parents in regional areas continue to have a choice of childcare centres for their children."²⁸

As fees have risen so too have the profits of Australia's largest corporate chain, ABC Learning Centres. The Age newspaper's business section reported that there was a 76.6% rise in net profit in 2004 -05, with net earnings of \$52.3 million and an announced profit upgrade for 2005 -06 of \$88 million from the original forecast of \$77.6 million.²⁹

49% of ABC's revenue is derived from government subsidies.³⁰

In spite of achieving such profitability ABC strongly opposed child care wage increases in 2004-05. The increase sought would have cost the company a total of \$287, 820³¹.

Australia's child care workers are amongst the lowest paid workers in the country.

Needless to say ABC share price has skyrocketed. The share price in September is \$6.35 and initial shares were 40c; nearly 16 fold increase³². Some investors have become very wealthy at the expense of taxpayers that have heavily subsidised them.

²⁸ Australian Competition and Consumer Commission Press Release, ACCC not oppose ABC and Peppercorn Childcare merger, Dec 7, 2004

²⁹ Age newspaper, Melbourne, Business 4 2005

³⁰ Conversation Hour, ABC radio Queensland, Meet Eddy Groves, Wednesday 3 August 2005

³¹ Australian Industrial Relations Commission, Transcript of Proceedings of Child Care Industry (Australian Capital Territory) Award 1998 Children's Services Award 1998, 12th May, 2004

³² Conversation Hour ABC radio Queensland Op cit

Lynne Wannan, Convenor National Association Of Community Based Children's Services Australia, Presentation for Canadian Tour, Corporate Child Care The Australian Experience, October 2005

How fantastic it would have been to have more of this invested in growing a quality community sector or ensuring services were more affordable or that wages were better.

One of our major concerns has been the failure to grow our community sector. As the importance of building community and social capital has been gaining prominence worldwide, the value of community based not for profit services should be recognised. We know that we do build strong connections between families as they participate in decisions about the way their service operates and thus contribute to building strong communities. In some communities the local community child care service is one of the few public facilities that does engage community members. Losing this service as a community based facility is a real tragedy.

We do experience commercial operators taking over outside school hours and long day services and sometimes closing services to increase the efficiency of others. Outside school hours services are lost from local schools and centralised to one. This is a real loss of the original intention of our children's services system; local and accessible. As the corporate child care sector grows, and that is their intention, families will have no choice of service. Already in some communities there is almost no community child care to choose. The lack of choice is problematic for children as Australia's Economic Planning and Advisory Commission found from research it as early as 1996:

*"sub standard care is widely used in societies where choices are limited, market forces prevail and standards are driven down by pressure from private operators. Some parents may have no choice but to make use of a sub standard service; others simply do not know how to make any other choice."*³³

The privatisation of child care is a concern even when judged from a free market perspective.

The Inevitability

If the core goals of an enterprise are profit it is both necessary and of great importance to shareholders that costs of operating a business are minimised so that surpluses are maximised

³³ Brennan, D, Melbourne 1998, p.211

and returned to those shareholders. For child care the evidence suggests that this impacts on staff, qualifications, experience and the ratios. It also impacts on the quality of the environment, food and even the quantity of nappies purchased. If the core goal is to foster child development and engage parents in the service then any surpluses can only be reinvested in the service and thus there is no driver to scrimp on quality.

An article in the Ethical Investor, June 2005, highlights the goal of a social purpose business, such as community not for profit child care, as it impacts on use of surplus funds.

“Social purpose businesses are those where the social goal of the organisation takes precedence over others; it is the primary motivation for the business. If the organisation does make a profit there is an expectation that the majority, if not all, will be re-invested back into the business for future expansion and development of its social goal, rather than being retained by individuals.”³⁴

The next powerpoint illustrates the different drivers for alternative systems.

³⁴ Kendall, R, Montgomery, N, Thomson, J, The Landscape of Social Enterprise, A Schematic of how community services organisations are now doing business – but with a cause in mind, in Ethical Investor, June 2005 Issues 45 pp.6

What could our Future be

Our experience of privatisation of the child care sector has not been a happy one. It has been costly and brought many risks to future families and their children. We have lost public infrastructure – the Government stepped away from ensuring we had public facilities retained into the future, for child care or maybe for other purposes such as aged care if local need changes.

What will happen when the initial private child care bubble bursts; when return on investment plateaus – as it must, or when spot checks ensure quality provision is standard practice.

In Australia now one of the rapidly growing corporate companies shows how precarious a business investment child care might be.

“ Kids Campus that grew from 1000 to 8000 child care places this year, spent \$31 m on child care expenses and reaped only \$2.2m in sales of \$31.2m, including \$3.4m on centre sales proceeds. However, Kids Campus is valued by the market at \$87m.”³⁵

We could easily lose our child care system. Private child care providers' long term investment is in real estate. Government fee subsidies have made this possible. But if returns on the capital investment fall, private operators may turn to other forms of investment. If the for-profit sector collapses, or sells off land and buildings the children's services system will require enormous rebuilding. Will the government be forced to buy back facilities at hugely inflated prices? Will governments be forced to keep raising the level of subsidy to keep private operators afloat? Whatever the answer, government has lost control of childcare provision and getting it back will be very, very costly. Not getting it back will be even more costly for the next generations of young children.

What I'd do if I were you

Firstly, don't be complacent get ready now!

³⁵ Child Care Business Daily News, September 26, 2005
Lynne Wannan, Convenor National Association Of Community Based Children's Services Australia,
Presentation for Canadian Tour, Corporate Child Care The Australian Experience, October 2005

According to Nick Tabakoff writing in The Bulletin, August 23, this year, ABC Learning centres, joint CEO, Eddy Groves has big plans. He wants to be global and fully integrated in 20 years and speculation has it that Canada will be the first stop!

- Policy – continue to develop good policy that articulates goals for much more than just quality child care provision but one that recognises the importance of community based services and articulates a shared vision about the future. Establish a national policy framework that articulates a vision, goals and principles.

Peter Senge in his book on learning organisations, The Fifth Discipline, highlights the importance of having a vision:

“One is hard pressed to think off any organisation that has sustained some measure of greatness in the absence of goals, values and mission that become deeply shared through the organisation.”³⁶

Community child care is important for communities, families and for setting the benchmark for quality throughout the system. The vision of a quality system must be widely shared.

- Build the workforce – staff are so critical to the achievement of quality outcomes in child care, Highly qualified and experienced staff do make a difference. The training system needs to be responsive to the sectors needs. Good wages and conditions are critical to attracting and retaining good staff. Ongoing development of the workforce is critical to a quality system. It is important that this issue is addressed before the pressure from large commercial operators to keep wages low is exerted.
- Regulatory Framework – regulations that relate to both inputs to the services and the way services operate for children and families are critical in a competitive market environment. These need to be properly monitored and enforced. Regulations need to include requirements to include children with complex needs or others the market

³⁶ Senge, P. The Fifth Discipline, The Art and Practice of the Learning Organisation, Random House, NSW Australia, 1992

traditionally fails. Spot checks, whistleblower protection and predatory pricing controls are needed.

- Planning Framework – Governments have a right to set priorities for use of public funds thus a planning framework that stipulates how government goals are to be met must be in place. For example to govern where services that are in receipt, either directly or indirectly, of public funds locate or who they cater for.
- Shore up the community based sector now – The community based sector needs to be ready for potential competition and thus steps to strengthen and improve existing providers should be taken. The system may need to grow, to ensure better availability. A collaborative approach by the whole sector is needed.
- Work closely with Provincial and local governments to ensure broad based support for a quality, universal system with multiple funding and in-kind support.

In Australia we were not ready, advocacy was not enough. In fact at times it has backfired on us. Our recent advocacy has focused on affordability and the commercial sector has, in overall terms, benefited hugely from this, with even more public funds going to shareholders and to private profit. We are looking at how to support the whole sector more strongly and how to continue to build, something you could consider now.

CONCLUSION

So from my perspective of Australia's recent children's services history it does matter who owns our early years services and controls the system as a whole – because it determines the outcomes you get from the huge public investment.

There is enough evidence to ask the question –

Can the business of profit making really deliver:

- high quality children's services
- individually responsive services
- equitably available and accessible services for all children
- services integrated with the range of child and family services and supports so critical to children and families with complex and costly to meet needs
- affordable services

- community building infrastructure
- a system that is sustainable long term ?

I'm clear that the answer is no. Even if Governments provide billions of dollars in a tightly regulated way there is no guarantee that such investment does much more than enable shareholders to buy investment property and make short term profits. In purely financial terms it is an expensive and inefficient use of public funds for short term high risk outcomes. It has not delivered choice, lower fees nor services for children or communities where making profit is not easy, without additional Government funds.

How much better would it be to have these billions of dollars of public funds as an investment in public infrastructure that really does build community, engage and support families and have as its prime purpose optimal developmental outcomes for all children.

I believe Australia, having got it right, has now got it wrong. The pathway our Government chose is a very precarious one and offers no guarantees for a sustainable high quality children's services system into the future. We had such a good foundation, so much community wide commitment to a universal high quality children's services system and now it's a constant and very difficult battle to keep our ideals alive. But we are trying.

So – don't follow our pathway, learn from us and there's no reason why you can't get it right.



Academy of the Social Sciences

Workshop

Childcare: A Better Policy Framework for Australia

July 13, 2006

Goals of a Good National System

Lynne Wannan

Convenor

**Australian National Association of Community Based
Children's Services**

Editing assistance: Barbara Romeril, Secretary NACBCS

Childcare – The Goals of a Good National System? The welfare of children, the good of the labour market and socio-economic equality..?

It is great to be part of a workshop about child care that includes such a diverse range of participants and one that begins with the assumption that child care is fundamentally important. Having lived through the struggles of the past 3 decades, when children's services and the related policies have been totally transformed, I have been frustrated by the relative marginalisation of child care. Apart from calls for tax deductibility and work based child care there has been surprisingly little interest from the broader community, including women's groups, in an holistic child care policy debate. Getting widespread support for child care and its role in the broader context of work and life, the economy and even children's welfare has been a challenge for child care advocates through these decades. A forum such as this is thus welcomed and critical to garnering broader support for a good national child care policy.

It is not that long ago since I delivered a paper entitled "*The Dismantling of Australia's Children's Services System*". It was in 1999, only 7 years ago, my gloomy outlook was a response to a Federal Government budget that continued to progress the policies Malcolm Fraser's Government had put in place in the late 1980s. These had effectively eroded the community based child care sector that had been the foundation and the driving force for children's services in Australia. That budget removed \$350m from the children's services program, ceased funding for the operations of community based services, transferred funding from the service to the parent and put limits on how much child care working and non working parents could be subsidised for. This budget fostered the rapid growth of commercial child care and ultimately corporate child care as the dominant player in Australia's children's services system.

For those of us who had fought for years to secure Federal Government commitment and funding for children's services this was very bad policy and very poor goals – fostering commercial child care and funding parents directly to enable choice rather than funding to sustain the service system – bad for children, bad for their parents, bad for communities and ultimately bad for the Australian economy and society generally.

For NACBCS, the national peak children's services advocacy organisation I chair and represent here today, the goals of a good national child care policy relate to all of the these; children, parents, community and the Australian economy and society. The goals of a good policy will deliver positive outcomes for all of these.

The most important goal for a national children's services policy must be to achieve a nationwide network of sustainable, quality community owned, not for profit early years children's centres. Only then will we have a system of services focussed on meeting the needs of all stakeholders:

- Children's need to develop, learn and enjoy their childhood
- Parent's need to work, raise their children and contribute to their community life
- The need for strong and safe communities with adults, children and community groups well connected and supported
- Australia's need to be a strong, vibrant economy in which everyone has the opportunity to live well and participate

NACBCS is an organisation whose brief is children's services. This means we focus in the main, on policy that delivers services for children. But we have always believed that this service system operates within a broader context that relates to family well being, women's opportunities to participate in society, including in the paid workforce, health of the economy and the need for strong communities that nurture, protect and support children. This broader context cannot be ignored when developing policy advice; NACBCS believes the interests of the nation as a whole are inextricably linked to having a good children's services policy.

NACBCS also uses the term 'children's services' rather than 'child care' because we believe good policy will relate to all children and thus be capable of delivering a range of early childhood services. Historically, in Australia we have a much siloed children's services sector – child care, preschool or kindergarten, Family Day Care, outside school hours care, mobile care and special services for aboriginal communities – MACS. NACBCS sees itself as having a primary responsibility to ensure all children have access to the service response best suited to their need and believes that the terminology has been a real barrier to progressing better use of available resources for young children and to getting greater responsiveness from all services. In this paper I will use the term children's services.

For NACBCS the goals of a good national children's services policy remain today as they were first developed three decades ago by the children's services movement and articulated by Community Child Care Victoria.

- *"universally accessible services i.e. ensuring that all Australian children eventually have access to the services they need, when, where and for how long they need them*
- *fair and equitable distribution of resources i.e. between children, families, services (across Australia)*
- *planning and delivery on a local and neighbourhood scale*
- *services which are culturally relevant i.e. take account of the needs, values and lifestyles of all the groups in the community the service exists to serve"¹*

These goals for a national policy would deliver appropriate childcare to all families and children in the way that best suited their needs. They also are based on the view that children's services are aimed at meeting the needs of children and their parents while strengthening communities.

¹ Community Child Care Victoria, Ripple Information Paper No.1, A Planning Approach for Children's Services –getting every neighbourhood a share, May 1984

In 2000 NACBCS articulated its view of the goals that should drive Australia's early childhood services.

*"Parents need child care to enable them to take part in the paid workforce, to care for their young children and provide a safe and developmentally nurturing environment and to support them when child rearing responsibilities are difficult. Local communities want services that help build community, break down isolation and provide a focus for developing networks and personal support systems. The nation as a whole wants and needs adults to participate in the paid workforce and needs to build a future of healthy intelligent and contributing people."*²

Today NACBCS goals for Australia's children's services system are expressed as to³:

- foster child development
- support families and create networks of support
- enable women, parents generally to participate in the paid workforce
- build community

NACBCS has not changed its view about what children's services are for nor what the Government should be doing, we do however update our language to ensure we continue to have relevance for contemporary debates. We now use the terms social capital, capacity building, strengthening community and parent engagement, among other modern day expressions that rephrase what we've always striven to achieve. We are quite unfussed about the fashion of terminology.

While NACBCS has the view that there are several goals that Australia's children's services policy should strive for it is important to stress that at the heart or core of any national children's policy must be children and the

² Wannan, Lynne, NACBCS National Convenor, VISION 2000 An Early Childhood System For Australia – something we almost had and must now try to achieve, 2000

³ Wannan, Lynne NACBCS Convenor, The Changing Face of Child Care in Australia, Corporate Child Care the Australian Experience, Canadian tour October 2006,

achievement of positive outcomes for them. While a children's services policy should achieve many positive outcomes for a range of stakeholders its prime goal and responsibility must be to deliver safe, quality care and foster the positive development of young children. When this does not happen children suffer, parents are stressed and worried and thus the economy in the short and long term will also suffer.

The importance of focussing on delivering for children has been heightened recently as much public attention has been given to the importance of the early years of a child's life and the lifelong impact of experiences in this foundation period. The brain research undertaken by Canadian medical researchers, McCain and Mustard and the Americans, Shonkoff and Phillips focussed attention worldwide on young children's development. The research showed how much development occurred in the first few years and provided a basis for the contention that this can be enhanced by good early year's experiences and damaged by poor experiences. Further the effects, it was argued, are lifelong and thus of importance to society as a whole. Surprisingly for some, including many politicians and policy makers, the fact that infants experience rapid development and that this development is influenced by the environment was news! For the children's services advocates this research was welcomed, not because it was any kind of revelation but because it brought in a range of new advocates for quality early year's services – even if the much respected new advocates, were predominantly men in suits or white coats! So hard for women social activists and I know many of you here will share that frustration. Anyway, politicians now are reading papers that make statements like the following:

"We know now that development of the brain in the early years of life, particularly the first three years, sets the base of competency and coping skills for the later stages in life...."

Brain development in the period from conception to 6 years sets a base for learning, behaviour and health over the life cycle.....⁴

As Fraser Mustard stated in a recent interview on the ABC's Radio National Health Report⁵:

"...a very sensitive period of brain development is ... in the first three to six years of life, which means the early years become hugely important in terms of the overall equity in health in the population ... not just physical and mental health problems later on, but also in terms of the functional literacy and mathematical skills."

...

...researchers believe that it is possible to influence the development of the brain by ensuring children do have positive experiences in the early years. There is plenty of evidence to support good early years parenting as critical for healthy child development but in the absence of this, either due to parental difficulty or parents being in the paid workforce then the accessibility of quality child care is critical...

Early intervention can improve the odds for vulnerable young children"

The importance of this research is that it tells us that what we do with early childhood services really does matter. This research should inform policy relating to all aspects of the delivery of early childhood services. Services which offer children poor experiences, insufficient opportunities for infants to explore, to be stimulated and to have daily play experiences turned into learnings, are unlikely to be particularly good for children.

We do know how to make a difference in the quality of early year's services. There is much research that shows that staffing is critical; the

⁴ J. Fraser Mustard and M. Norrie McCain, Reversing the Real Brain Drain, Early Years Study Final Report, April 1999, Ontario Children's Services Secretariat, Toronto, Canada pp.8

⁵ Fraser Mustard, Health Report with Norman Swan, ABC radio, 6 November 2000

qualifications, the experience, the ratios and rate of turnover. Similarly, we know group size matters and that the relationships between staff, children, and parents impact on the quality of the service. These aspects of a service impact on the delivery of relevant programs, the safety of children, the responsiveness of staff to individual children's needs and their ability to understand children's cultural backgrounds, family dynamics, personal problems or special needs.

Appropriately, Australia's State and Territory licensing regulations and the National Quality Assurance System are built on acceptance of the importance of these aspects of children's services. Unfortunately, while there is a requirement to deliver according to these criteria, monitoring and enforcement fails to ensure adherence to even the most basic safety standards.

There is mounting evidence that achievement of quality may be going backwards in the current children's services environment. In Victoria, we now have corporate child care operators - still licensed, still open to children after very serious incidents - not one incident but several. These include, a broken arm, an infant being dehydrated, a toddler lost and wandering among strangers - in all these cases the staff purported not to even know the problems had occurred. We have had reports of food budgets being cut to levels below those required for adequate nutrition. The following have been highlighted by media in Australia reporting on corporate child care.

"A childcare centre will be prosecuted after a 14-month-old was locked in after closing time. The centre in Victoria ... owned by a childcare giant ... is charged with inadequate supervision of children and failing to accurately maintain attendance records."⁶

⁶ Beauchamp, P. Childcare centre charged, Herald Sun newspaper, April 29, 2007, Melbourne

"The Department for Community Development (Perth) is seeking to prosecute a childcare centre which left a four year old boy alone for more than two hours last month after staff locked up and left him..."⁷

From a parent, Rochelle Hinson, in a centre acquired by a large commercial operator –

"They increased the fees. They tried to cut the children's food and nutrition budget and the cook's hours. Think of their age group it's their most important time for growing, how can we be cutting their food budget? How can (the shareholder company) do that?"

In a centre taken over by a large corporate chain the Age newspaper reported that:

"Money became a preoccupation. The centre previously spent between \$500 and \$700 per week feeding children. The new owners slashed this to \$350 a week, before realising it was not enough for a nutritional diet."⁸
All but two of the original 30 staff left this centre.

The journalist writing this piece interviewed a staff member who had left the centre and gave the following response when asked why she had decided to leave.

" I couldn't stay in an organisation that I felt was not supporting the fundamentals of children. The bottom line always came to money, not to the child and the child's right. The professionalism of the staff was always down turned by not employing professionals because they cost too much."⁹

Another recent breach of very basic hygiene standards was reported in NSW.

⁷ Child Care Daily News online, June 14, 2005

⁸ Birnbauer, W. & Dowling, J. Sunday Age, December 5, 2004

⁹ Australian Broadcasting Corporation, 7.30 Report, reporter Emma Alberici, March 29, 2004

"A giant childcare company has been prosecuted over embarrassing bungles at one of its branches, including mouse droppings on bed sheets and red back spiders in a storage area that was accessible to children. Other issues included mouse traps on nappy change tables, unlocked cupboards with dangerous cleaning and other items, no smoke detector and confidential records on public display. ...case is the latest of 13 prosecutions in the past two years over matters including inadequate staff numbers, unclean or unsafe premises and being unlicensed.

and in the same newspaper report;

Documents provided by the Department of Community Services (DOCS) show one operator-- near Cessnock -- has been in court twice recently on a series of breaches. Among its penalties were two lots of 18-month good behaviour bonds."¹⁰

Something is amiss in relation to achievement of positive outcomes for children when incidents like these keep happening and little is done to halt the growth of the corporate child care model that appears to be linked to such loss of quality in service delivery. Just last week the giant ABC Learning Centres announced the planned takeover of another corporate chain Hutchison's Child Care.

Australia's children's service system is changing and becoming more corporatised. In the centre based long day care sector the transformation has been dramatic. The percentage of for profit services has increased significantly, and continues to grow.

	'91	'97	'02	'04
Private for Profit	47%	68%	63%	66%
Community Based	53%	32%	37%	34%

¹⁰ Killer Spiders at childcare, Daily Telegraph NSW, September 19, 2005

The numbers of services owned by the for-profit sector is substantial. ABC Learning, the largest, owns more than 20% of the Australian provision and plans to have over 1200 centres in Australia and New Zealand by the end of the 2006/07 financial year.¹¹

The goals of corporate companies do not sit well with the goals a good children's services policy should have. As Milton Friedman is quoted as saying¹²;

"The social responsibility of business is to maximise profit"

ABC Learning Centres appears to be doing this very well; at least if the share price is a true indication.

For the community sector the purpose is altogether different.

"Social purpose businesses are those where the social goal of the organisation takes precedence over others; it is the primary motivation for the business. If the organisation does make a profit there is an expectation that the majority, if not all, will be re-invested back into the business for future expansion and development of its social goal, rather than being retained by individuals. ¹³"

Mark Lyons from the University of Technology, Sydney gives the following description of non profit organisations:

"Nonprofits organisations not only make a significant contribution to the economy, they are also an essential component of an open and tolerant society and of a democratic political system. They are the product of the willingness of some people to work together for some common good (for themselves –mutuality; or for others – altruism). Their defining

¹¹ ASX Release, A.B.C Learning Centres Ltd to acquire Hutchisons Child Care Services Ltd. 7 July 2006

¹² Kay, John, Capitalism Betrayed – On the Damage done by an economic model that is both repulsive and false, The Australian Financial Review, June 6, 2004

¹³ Kendall, R, Montgomery, N, Thomson, J, The Landscape of Social Enterprise, A Schematic of how community services organisations are now doing business – but with a cause in mind, in Ethical Investor, June 2005 Issues 45 pp.6

characteristics, that they are prevented from distributing profit or net assets to members, ensures this commitment to a wider goal than the enrichment of their members. It defines their behaviour as organisations, and means they behave differently to government agencies and for profit businesses.”¹⁴

There are very real differences between social purpose services like community owned children’s services and commercial businesses like the corporate child care companies dominating Australia’s long day care sector today. The drivers underpinning how they provide services are very different.

¹⁴ Lyons, M. University of Technology, Sydney, Trends Affecting the Association Environment or The Profound Challenge Facing Non profit Leaders, Paper to AuSAE National Conference, Canberra, Australia, May 12, 2004

Drivers for Alternative Systems of Children's Services Delivery¹⁵

Not for Profit	Corporate
<ul style="list-style-type: none"> ▪ Primary purpose to deliver child care with engagement of parents ▪ Reinvest surplus into the service ▪ Be the benchmark for the highest standards for quality ▪ Meet best practice requirements for community engagement and participation ▪ Retain public infrastructure for the future ▪ Retain & reward quality child care workers – experienced & qualified ▪ Maintain best practice child:staff ratios ▪ Inclusive of all children ▪ Support an open spot check inspection regime ▪ Integrate with other early childhood services ▪ Be part of a universal, planned service system 	<ul style="list-style-type: none"> ▪ Primary purpose to generate profit ▪ Return profits to shareholders ▪ Minimise regulations and standards ▪ Meet best practice requirements for efficiency in business operation ▪ Private ownership of property ▪ Minimise inputs ▪ Amalgamate into larger consolidated structures ▪ Use pricing to drive out competition ▪ Use litigation and commercial-in-confidence to protect market position ▪ Minimise cost of staffing ▪ Standardise programs and provision ▪ Cater to profitable segments of the market ▪ Restrict inspections and resist spot checks

The goals related to quality care for children are important. Equally important are the systems for monitoring implementation of goals. The systems for regulating and assuring that quality is achieved in Australia's formal children's service system seem to be failing our children. The achievement of quality outcomes for children may require a children's services policy that precludes services whose principle purpose is to make returns for shareholders from being funded and supported, let alone encouraged by Government.

I am not alone in believing that funding to corporate child care places good policy goals at risk. The very recent research report from the Australia Institute which involved interviewing ABC Learning Centres staff found considerable concern from these staff about the quality of the services provided for children. I know Emma Rush will be speaking about

¹⁵ Wannan, Lynne The Changing Face of Child Care in Australia, October 2005

this study to this workshop later and I will simply highlight the following comment.

"Given the results of both the 2005 Australia Institute survey, and the interviews reported in this paper, both an ethical and a risk management perspective suggest that the Federal Government should consider the wisdom of further expansion of corporate chains in the long day care sector."¹⁶

If the Federal Government wishes to develop a world class children's service system then it should adopt the core goal as being to have high quality, appropriate care and developmental opportunities provided in settings that are responsive to the diverse needs of Australia's diverse families provided by services that are not for profit.

There is of course an additional bonus for providing children with genuine opportunities to develop to their full potential - and this is the benefit it brings to the Australian economy. Services that achieve positive developmental outcomes in young children are more likely to ensure that children progress through the education system and gain employment in adult life. For Australia's future economy this is important. For adults of the future this is also important and can help keep them out of poverty and enable a better quality of life. This further underpins the need to make sure early childhood services are high quality.

Children's services are critical for the economy of today. In 2005 more than 1.5 million children (46%) aged 12 years and under used some form of children's service and one in five participated in a formally funded service¹⁷. Women are more likely to be the prime child carer in the family and are entering the paid workforce in large numbers while their children are young. For these women to work children's services are fundamentally

¹⁶ Rush E & Downie C, ABC Learning Centres A Case Study of Australia's Largest Child Care Corporation, The Australia Institute, Discussion paper No.87, June 2006

¹⁷ Australian Bureau of Statistics, Child Care Australia, June 2005

important. A children's services policy must therefore have a goal of supporting parent participation in the paid economy. The increase in participation by women in the paid labour force over the last couple of decades has been dramatic.

The increase in female workforce participation means that most women with family responsibilities are employed: the employment rate for all women increased from 47% in 1980 to 62% in 2001; the employment rate for women in the child rearing age range (25-54 years) in 2001 was 68%.¹⁸

The latest ABS data shows the growing trend for women with young children to be in the paid workforce.

51.3% of Australian mothers of children aged 2 years are in the workforce, with this rising to 70% for mothers of 3 year olds.¹⁹ Between 1983 and 2002, the proportion of families with dependent children who have two parents employed increased from 39.7 to 56.9 percent.²⁰

As the renowned Canadian early childhood researcher Fraser Mustard puts it;

"You are going to have women in the labour force, and that's important for society, you're going to have women with young children. You're going to have two parents working who are dependent on other care givers when they're working and they're going to come home tired and fatigued. ... Then it becomes extremely important to design new systems for support for this social change."²¹

¹⁸ The Changing Workplace Volume 217, 2005: Issues in Society. Glossary

¹⁹ Australian Bureau of Statistics as referenced in Joining the Dots, Premiers Children's Advisory Committee September, 2004

²⁰ R. West and M. Gray et al. The Impact of Long Working Hours on Employed Fathers and Their Families, 2004 Institute of Family Studies

²¹ Fraser Mustard, Health Report with Norman Swan, ABC radio, 6 November 2000

Australia's economic future requires policy makers to focus on the provision of children's services. In the highly competitive global economy an industrial nation like Australia will be competing for a skilled workforce as ageing impacts on the population structure. Prue Goward, the Federal Sex Discrimination Officer, sees the issue of competing globally for employees as directly related to support with family responsibilities.

"...the current global job market whereby high calibre workers with skills in demand can work abroad in just about any country. Last year, Australia's brain drain saw 40,000 lawyers, scientists, accountants and other professionals leave Australia's shores to take up positions in other countries where the remuneration and working conditions far surpassed those in Australia.

The challenge for Australia's future is to make it possible for women and all employees to be able to balance work and family commitments.²²

Clearly children's services are essential to parents and in particular women, participating in the workforce. A good childcare policy will thus have as a goal participation in the paid workforce by parents.

What does such a goal mean for policy development? Will children's services then be required to respond to work demands or should work demands fit in with children's services responsiveness to children's needs?

The balance between the needs of industry, workers and children is an emerging challenge. How does a children's service remain responsive to children whose parents may work very long hours, including through the night? Should industry be supported so that employees can work long hours, casual hours, irregular hours or days of employment?

²² Goward, P, The Federal Sex Discrimination Commissioner, speaks on the challenge of making workplaces more family friendly, July 2003, in a summary paper prepared by Deacons Legal Firm

Should workers with family responsibilities be protected from such working arrangements in the interests of their children?

One solution to this problem is to develop other Government policy responses that impact on work life balance. Paid parental leave is one response. Another is to provide parental benefits that reduce the need for paid work for parents. These are popular responses and can be viewed as part of a continuum of support to parents with young children. Children's services will still be needed and these alternative family balance responses will only complement the role of children's services. Such complementary responses will be short term and probably never funded to a level that would compensate for loss of paid employment. For a range of reasons women choose to work outside the home before their children reach school age.

Centre based children's services are currently not funded adequately to operate for long hours, into the evenings or overnight. Set aside the debate of whether this would be good for children anyway, parents would have to use Family Day Care, the home based service that currently cannot recruit carers as the pay is poor and the conditions perhaps not what most workers would want. Personally, I have concerns about children being in the care of a lone worker and in a relatively isolated setting. (This not the view of NACBCS just my own concern).

NACBCS also sees the development of strong communities as a key goal of a children's services policy. We believe that children and their parents need to be surrounded by networks that enable them to be part of a supportive community. This can vary; workplaces, schools, neighbourhoods, cultural communities can all provide a relevant focus for family support. NACBCS sees this as critical to reducing the risk of abuse and neglect, family violence and crime more broadly. Community based children's services that are managed by the local community create such support networks by their very nature. There is evidence that community services such as community owned children's services do contribute to the building of social capital and thus stronger communities.

“Real community engagement, empowerment and ownership that facilitates the building of ‘community’, the breaking down of isolation and creates networks between local people and groups is the core business of community based not for profit services. This process is now often referred to as building social capital. The importance of social capital is widely recognised as contributing to the development of trust and community participation that is linked to long term positive health outcomes, happiness and improved mental health, public safety and reduction of crime and vandalism. Short term the linking of local people enables reciprocal support networks to develop and enhances perception of safety in the local area.”²³

Participation, empowerment, access and sustainability are seen as leading to greater fairness, sustainability and trust. For communities today these are essential outcomes that strong social capital brings.

A number of studies have been undertaken demonstrate the benefits derived from social capital. Robert Putnam, the American political scientist and a key writer on social capital with his books, Making Democracy Work (1993) and Bowling Alone (2000) lists the benefits arising from the creation of social capital as relating to:

- pluralist democracy
- physical health
- happiness and mental health
- public safety, vandalism and crime
- economic performance and efficiency

²³ Klein, H. Neighbourhood Renewal: Revitalising Disadvantaged Communities in Victoria, September – November 2004

A recent literature review looking at communities, social capital and public policy undertaken by the Australian Government Department of Family and Community Services provides the following findings²⁴.

- *"Recent cross - national studies in the USA have confirmed that social capital (defined as trust and voluntary participation in community activities) is causally related to democratic participation*
- *People with rich social networks appear to suffer less illness and live longer than people with poor networks and joining a community group reduces your risk of dying in the next year by about the same amount as giving up smoking. People with rich social networks are less likely to catch colds. The benefits to children's health are also clear, social capital is the second best predictor of low birth rate and of child morbidity and mortality.*
- *Overall the evidence on the beneficial effects of social capital for public safety is quite convincing, and has in fact convinced policy makers, police and other influential people in a number of places in Australia, Britain and the US.*
- *There is little doubt that individuals with high levels of social capital and rich networks benefit economically. Trust and good networks plainly reduce the transaction costs of doing business*
- *Cross - country comparisons also support the contention that social capital has a positive association with economic growth. Knack and Keefer (1997) found a significant association between trust and civic norms and economic growth among 29 market economies"*

Corporations cannot achieve this community building outcome, their services do not belong to the community, do not engage with the community and are accountable to an external Board, distant and uninterested in the local community. A good national children's services policy will have as key goals strengthening family networks and community building.

²⁴ Australian Government, Department of Family and Community Services, Policy Research Paper Number 26, Communities, social capital and public policy: literature review, David Johnson, Bruce Headey, and Ben Jensen, 2005

To summarise, the most important goal for a national children's services policy must be to achieve a nationwide network of sustainable, quality community owned, not for profit early years children's centres. Only then will we have a system of services focussed on meeting the needs of all stakeholders:

- Children's need to develop, learn and enjoy their childhood
- Parent's need to work, parent and contribute to their community life
- Community need to be strong and safe with adults, children and community groups well connected and supported
- Australia's need to be a strong, vibrant economy in which everyone has the opportunity to live well and participate

Finally, NACBCS and I want it all and we do have the answers to translate good goals into practice and we're more than happy to share these with everyone – especially Governments.