National Foundation for Australian Women
REAL WOMEN. VISIONARY LEADERSHIP

**Final Submission to Productivity Commission Review of Childcare and Early Childhood**

The National Foundation for Australian Women (NFAW), having given evidence to a hearing of the Commission, undertook to bring some further information to the Commission. We will not comment on every issue raised in the Interim Report.

Our specific submissions are set out below.

## 1. GENERAL COMMENTS

If parental workforce participation is a major goal of Government policies, then child care is but one of an inter-related suite of policies which must be coordinated. Reformation of child care alone will not produce solutions.

One critically significant issue is that of Effective Marginal Tax Rates (EMTR). This is an issue which was also discussed in the Henry Review of Australia's Future Taxation System. The Commission's modelling demonstrates that the interaction of child care net fees, the loss of Family Tax benefits, and higher rates of income tax, all combine to make workforce participation for many female parents (against whose net income most families make participation decisions) a loss making proposition. Decisions to work part-time are affected by EMTRs. Notably the Commission's modelling supports anecdotal evidence that many mothers reduce their hours of work once the EMTR becomes excessive, and in high cost centres this is linked to the annual cap on the CCR.

Governments wishing to increase mothers' participation rates need to give thought to this issue.

Another critically significant matter is whether the workplace provides family friendly working conditions. Is there pregnancy discrimination? Are there facilities for breast feeding? Can the primary carer readily access leave in the event of a child's illness? Does the workplace permit either primary or secondary carer capacity to leave work in time to collect the child from care? Does the employer implicitly or explicitly 'punish' the parent /carer who takes time out for early years of child rearing?

Again, an issue for Government policies on workplace relations.

Some parents (and surprisingly some other entities) seem to consider that changing from a system of direct subsidy in the hand of the parent, (albeit paid to the service) to income tax deductibility would produce a more beneficial outcome.

The National Centre for Social and Economic Modelling has graphed the average profit/ loss for each quintile of family income[1]- see supplementary submission.

---

1 http://www.natsem.canberra.edu.au/publications/?publication=ampnatsem-income-and-wealth-report-issue-35-childcare-affordability-in-australia

No family would benefit from a change to tax deductibility - everyone would lose. The Government is also likely to lose in terms of income tax revenue if such a change affected participation rates.

We endorse the view of the Commission that real improvements to the child care sector will require additional financial inputs from Government to ensure both equity and adequate services. We see a need for further consideration of Government spending priorities to achieve these objectives, and the need for priority settings within the sector - it may be for example that expanding eligibility to some forms of in-home care should have a lower priority than improvements in access and affordability along with quality maintenance.

## 2. OUT OF SCHOOL HOURS AND VACATION CARE

*2.1 Female Workforce Participation Patterns*

The Australian Bureau of Statistics' most recent data demonstrates that women's workforce participation increases when the youngest child is of school age - and that currently the participation rate of mothers whose youngest child is of school age is around 78% . See the ABS media statement of 26 August reproduced below[2]:

"Women's labour force participation rate continues to be lower than men's, according to a report released by the Australian Bureau of Statistics (ABS) today.

"The ABS found that in 2013-14, 65 per cent of women aged 20-74 were working or looking for work compared to 78 per cent for men of the same age. Over the last five years, men's participation in the labour force decreased slightly from 79 per cent in 2008-09 while women's participation remained steady at around 65 per cent.

"This gap widens with the arrival of children and then reduces as children enter school. Mothers with dependent children had a much lower labour force participation rate than fathers. While 57.5 per cent of mothers whose youngest child is aged 0-5 years were participating in the labour force, 94 per cent of fathers, whose youngest child is 0-5 years, were working or looking for work.

"The age of a mother's youngest child also had an impact on the average hours that mothers worked. Director of the Living Conditions Section at the ABS, Ms Caroline Daley, commented that employed mothers worked more hours per week when their youngest child was school aged, while fathers' hours of work remained steady regardless of their child's age.

"Our latest data shows that of mothers working full-time, those with children aged 6-14 years worked on average four hours more per week than those with children aged 0-5 years.

"Similarly, mothers who worked part-time and have children aged 6-14 years worked, on

---

[2] More information can be found in *Gender Indicators (cat. no 4125.0)* available for free download from the ABS website (www.abs.gov.au).

average, approximately two hours more per week than those with children aged 0-5 years," said Ms Daley.

"However, more mothers who have young children are now in the labour force compared to five years ago. The participation rate for mothers who have children aged 0-5 years increased 2.5 percentage points from 55 per cent in 2008-09.

"The participation rate for mothers whose youngest child is school aged (6-14 years) was 78 per cent compared to 92 per cent of fathers with school aged children (6-14 years) who were working or looking for work."

This suggests that closer Commonwealth Government attention to enhancing before and after school and school vacation programs might have the potential to be the most efficient and effective means of assisting more women to re-enter the workforce.

The concentration of parental complaints and of Governmental policy on care for the under school age child has led to a serious deficiency in both service provision, and policy understanding of the sector.

There has been minimal attention to the issue, notwithstanding studies by both NFAW and associated bodies, and NATSEM[3] in this area - all of which demonstrate that only a very limited number of school age children are in any formal care, and that use of formal care is strongly correlated with the parental social gradient.

The 2012 NATSEM study's main findings are summarised below:

- Almost 30 per cent of school-age children use some type of child care when their parents are working.
- Just over 10 per cent of school-age children use formal Outside School Hours Care (OSHC) when their parents are at work.
- There is a clear social gradient for child care usage, with those children from more affluent areas much more likely to be using child care than those children who are not - 40 per cent compared with 19 per cent.
- Children who live in the more affluent areas are more likely to access formal OSHC than those who do not – 17 per cent compared with 3 per cent.
- Children living in low income families are much less likely to be using formal OSHC than those in high income families – only 1 per cent in the bottom quintile, compared with over a fifth in the top income quintile.

[3] http://www.childrenyoungpeopleandfamilies.org.au/research//?a=70639

1.

- Around a quarter of school-age children in Sydney are using some type of care, compared with 40 per cent of children in Brisbane and 30 per cent in Melbourne.

- Children in single parent families are more likely to access formal OSHC than children in couple families.

- Evidence of possible transition points of child care exist, with usage reducing from ages 6 to 9, increasing at age 10 and dropping off at age 12.

- Many households with school age children are experiencing difficulties with accessing child care.

- Almost a third of households with children aged 5-8 and 9-12 have experienced difficulties in finding care for a sick child.

- Difficulty with the cost of care is more prevalent for those households with children aged 5-8 years (29 per cent of households), compared to 23 per cent of households with children aged 9-12 years.

Parents of school age children report anecdotally on particular problems managing the school holidays - few parents have access to 12 weeks paid leave to match the school holidays available. Parents report sub-teen children unwilling to attend programs designed for five and six year olds, and that activities which are of interest are not eligible for Child Care Benefit or Child Care Rebate.

The services are not organised into any comprehensible systems in the majority of jurisdictions.

It is very difficult to map the location and distribution of OSHC and vacation care programs from current Commonwealth data bases. Suggestions that schools be required to accommodate OSHC programmes have merit, but will require the cooperation of state education departments, which may be a barrier to implementation.

The Commission's report is unhappily not comprehensive in its treatment of this area of policy, and we note that most commentary and response to the Interim Report has ignored the area.

### 2.2 *Standardisation of School Entry Age*

NFAW notes that the national body representing primary school principals has recently called for a standardised entry age for children of approximately 5 years of age ( there are currently many jurisdictional variations) in the light of development of a national curriculum[4].

[4] http://m.dailytelegraph.com.au/news/nsw/principals-call-for-a-national-standard-school-starting-age-of-fiveandahalf/story-fni0cx12-1227041909616?nk=6df0228b3735e08a490d175b15c862d6

Clearly, development of policy by the Commonwealth on funding services for the out of school hours care of school age children is impacted by jurisdictional differences. A child of 5 may have differing post-school needs from one of four and a half, or one of six, let alone a child of nine or ten years of age.

At the same time, it is ludicrous that a National Quality Framework for child care might somehow 'magically' determine that a facility with a child staff ratio seemingly appropriate from nine to three each day is inappropriate from eight a.m.to nine, or from three to six p.m.

*2.3 Quality Control Framework application*

NFAW has discussed the application of the NQCF with some providers. It seems pretty much inappropriate in its application. The error seems to derive from assuming the needs of school-age children in generally short term care can be equated with those of infants and toddlers in long day care.

One system advised NFAW that it is important to:

- Ensure that School After Care (SAC) sites have adequate facilities to run fun and engaging programs for children. At the very least new schools being built should include a dedicated SAC facility.

- Ensure that school principals are engaged in the provision of SAC programs for children in their schools and recognise the importance these programs hold for parents.

- Acknowledge that SAC programs should be fun based and child directed as they occur after school in what should be children's play time/relaxation time.

- Take into consideration that parents want SAC programs that are safe and fun for their children to attend.

- Acknowledge that NQF/NQS is a good thing, but note that documentation for SAC programs is now bordering on the ridiculous stage. This is particularly noticeable during Assessment and Rating process for each program. Please acknowledge that children attend before and after school programs for a maximum of 3 hours per day, and with average attendance time of 1.75 hrs.

- Most providers are happy with the current ratio of 1 educator to 11 children but there is also a requirement to have 2 educators present at the program at all times. This is fine in after school programs but is quite problematic in before school care programs when there is sometimes far less than 10 children attending. Providers are unable to financially sustain before school programs because of this requirement and it should be further noted that before school programs usually last for 90 minutes prior to child going to class.

*2.4 Funding issue - Out of School Hours and Vacation Care*

Once again, Vacation and Before and After School Care present different problems to those of long day care for infants and toddlers. There is a policy need to clearly identify real costs, and develop a 'deemed' cost model suited to this service type.

*2.5 Systemic Issues*

There is no doubt that for before and after school in particular, use of the physical facilities of the school are paramount. This is less clear in the case of school vacation programs.

We note that the policy of the Australian Education Union is that school principals and teachers should NOT have responsibility for the provision of such services. We have been informed at Ministerial level that many State Education Ministers and Departments are unwilling to accept that they could direct schools to make facilities available (and some in recent times have unilaterally announced charges for use of school facilities which had adversely impacted on the financial stability of existing after school programs).

## 3. INFANTS AND PRE SCHOOL CHILDREN

*3.1 Child Development Vis a Vis Productivity Gains children >5 yrs*

The Commission was asked to explore issues surrounding both gains and benefits to society from increased maternal/parental workforce participation, as well as to explore the social and developmental needs of young children.

The NFAW notes the assertion by the Australian Early Childhood Association that:

" The quality of the relationship between *the child and the educator* is critical during the first three years in which the child's brain is undergoing its most rapid neurobiological development. "

However, the NFAW also considers that the relationship between the child and the primary and secondary carer during the first three years of life could be held to be the pre-eminent influence on the child's emotional and neurobiological development.

Generation after generation of parents have provided their children with consistent, safe, loving and stimulating environments, allowing very young children to learn at home through unstructured play. It is important that the role of parents is not forgotten while the role of educators and carers is valued.

Many parents make the sometimes financially difficult choice to be with the very young child, to encourage speech development through babbling and mimicry, to enjoy the pleasures of first steps and first words. Some parents do not have that choice, and it is important that Government ensures through appropriate standards that carers are appropriately skilled, and in appropriate child-carer numbers to assist in the acquisition of essential early developmental skills.

Some children who come to early childhood services have special needs, they may have learning deficits. Children may come from troubled environments such as conditions of war and refugee status. It is important that services can be structured to meet the needs of these children, which may be different from those of the more general run of children. Some parents have special needs and may be vulnerable - again it is important to ensure services are available to provide support and have capacity to provide support.

There are some indications that the Paid Parental Leave Scheme introduced in 2011 by the former Government is now beginning to have the effect that mothers, in particular, are able to delay their return to work until after 26 weeks post-partum, by means of adding various forms of employer provided leave to the eighteen weeks guaranteed by the PPL scheme. This may be influencing in some regions the demand for nursery places. It also reflects parental choice.

We will deal with this in more detail below.

We note that the Commission's modelling suggests that enhanced quality and funding of early childhood services may not have a spectacular effect on maternal workforce attachment, and that in consequence the benefits for the child may well be the pre-eminent outcome of Government intervention. This is an important finding for family policies.

*3.2 Funding Method Care of children 5> yrs - Issues*

NFAW has no particular expertise in micro-simulation modelling, but we note the consultant's report posted on the Commission web-site reviewing the micro-simulation modelling used to measure the impacts of proposed changes to funding.

It is critical that the Commission can accurately identify winners and losers from its proposals, and in doing so ensure protection of the most vulnerable.

We support the proposal to merge CCR and CCB, and to income-test these on family income- we urge the Commission to clarify that there is no *means test* proposed on family or household assets. We support the general income gradient proposed.

We support making the payment to the service.

We have noted the issues raised by such providers as Goodstart concerning the concept of the deemed cost as a basis of subsidy. Inter alia, we note these problems of matching Government subsidy to service costs have long challenged the policy areas of Age care, and of course of Medical Benefits.

It is important for Government to be able to contain costs while allowing variations driven by quality and other reasonable factors. For several decades the Commonwealth policy has been focussed on payments direct to individuals with the objective of maximising choice. One outcome has been that there has been no requirement for the Commonwealth to collect data from services on operating costs. Equally, there has been no effective budgetary limit to the growth of the sector, or the extent to which new service providers can enter the market. The lack of any form of geographic planning of services to meet demographic patterns is a failure.

Government can and should collect and analyse data on a regular basis to develop a clear picture of basic operating costs, and the cost of agreed additional services, to as to have a sound basis for a regularly updated 'deemed ' operating cost for subsidy purposes.

The rate of growth of payments to families for children has been exponential in the past two decades, and it is important to maintain equity.

*3.3 Activity Test Issues*

NFAW supports the principle of an activity test, but supports also the concerns about this raised by Goodstart. We note that many children are placed in child care services for the welfare of the child during periods of family or parental crisis. Exemption categories must be flexible enough, and there should be funding available to accommodate emergency care as well as to accommodate disadvantaged families.

*3.4 Quality issues Children 5>yrs*

Our introductory comments refer. We support the provision of appropriate qualified staff in appropriate numbers. We are uncertain that there is an essential requirement for qualified early childhood educators in every instance, while recognising the importance of such skilled personnel where there are children who come to services with learning deficits or other special needs.

*3.5 Impact of current PPL on return to work/placement of infants in care*

As noted above, female workforce participation in the workforce is related to a range of issues, including the provision of paid parental leave. The provision of paid parental or maternity leave is known to maintain workforce attachment. Recent data on the patterns of return to work following paid parental leave is derived from University of Sydney research tracking mothers returning to work after parental leave[5]. This is a study of approximately 3,800 mothers who were working before having babies in October and November 2011, that is, after the new PPL scheme was introduced.

The survey results show that nearly three-quarters of mothers return to work and that formal child care is a critical part of the equation. Seventy-two per cent use formal child care. For those who have not used formal child care, the two main reasons are that 1. it is too expensive and 2. no vacancies were available. The mean age of the baby is 10.67 months when mothers first used formal care. Almost three-quarters of mothers return to part-time positions and the average length of formal child care used is 2.7 days.

The results suggest that the provision of parental leave and child care are closely related and that mothers return before their infants turn 1 year old. If the goal of enhancing workforce participation of this group of potential workers is to be realised, then these mothers (and their partners) need assurance of quality, flexible and reliable child care at an affordable cost.

---

[5] http://www.issr.uq.edu.au/millenniummums