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Productivity Commission

PRODUCTIVITY COMMISSION

**INQUIRY INTO CHILDCARE AND
EARLY CHILDHOOD LEARNING**

DR W CRAIK AM, Presiding Commissioner
MR J COPPEL, Commissioner

TRANSCRIPT OF PROCEEDINGS

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DR CRAIK: Good morning, ladies and gentlemen, and welcome to the public hearings for the Childcare and Early Learning Inquiry. My name is Wendy Craik and I'm the presiding Commissioner on this Inquiry. My fellow Commissioner on this Inquiry is Jonathan Coppel.

The purpose of this round of hearings is to facilitate public scrutiny of the Commission's work, to get some comments and feedback, and particularly to get people on the record, which we may draw on in the final report. This is the last day of hearings. We have already held hearings in Perth, Port Macquarie, Sydney and Melbourne.

We expect to have a final report to government in October this year and, following our delivery of the report, the government has up to 25 parliamentary sitting days to publicly release it.

We like to conduct these hearings in a reasonably informal manner but I remind participants that there's a full transcript being taken. We don't take comments from the floor but, at the end of today's proceedings, there'll be opportunities for people who wish to do so to make a brief statement, and, obviously, people are able to submit further advice to us, if they choose to do so, as a result of things they hear said today.

Participants are not required to take an oath but should, of course, be truthful in their remarks and participants are welcome to comment on issues raised by other submissions as well as their own. The transcript will be made available and published on the Commission's website, along with submissions to the Inquiry. For media representatives, if there are any attending today, some general rules apply and, if you haven't already, and you're from the media, please see one of our staff.

(Housekeeping matters)

Our first appearance is from Robin Shannon. If, Robin, you'd like to come forward and state your name, position and organisation for the record, then, if you'd like to make a brief opening statement, we'd be happy to hear from you. Thank you.

MR SHANNON: My name is Robin Shannon. I'm an educator with Communities@Work. I'd just like to apologise for the somewhat squeaky voice; it's an occupational hazard of constantly being around sick children.

I'd like to thank the Commission for the opportunity to address them and the work they've done in assembling the draft report. I think the new funding regime suggested, as the major recommendation for the draft report, is an improvement on the current mess but it's only one part of the problem. I think that, by concentrating primarily on constructing a new funding formula for the early childhood sector, the Commission has missed an opportunity to put forward broader non-fiscal changes to the sector, which could improve the quality of life for the 17 per cent of the Australian population who are under 12 years of age.

If, as a society, we accept that large portions of the lives of very young Australians - my specific interest is in birth-to-three-year-olds - should be with non-family members in an institutional sort of environment, then it's incumbent on us to provide interactions that set them up, not only to become productive members later in life, productive members of society, but also to provide them with a good life now. As far as I can see, this can only be achieved by treating early childhood workers as competent individuals, rather than second-

rate automata, which I think they often are at the moment.

Despite the best efforts of many centre directors and the like, I think the sector, as is it set up, takes a condescending approach to childhood workers and stifles initiative and development and innovation. I think the Certificate III and diploma training, the NQF-mandated obsessive documentation, the rating or assessment process, the lack of career progression are the most obvious examples of this. In my own Certificate III training, the answer to every second question was, "Ask your supervisor." In reality, if I had asked my supervisor all those things, neither me nor my supervisor would get any work done at all. The point of the thing is not "Ask your supervisor," it's "Don't take any initiative. Don't trust yourself."

There was another wonderful question in my Certificate III training, about my own personal moral framework, which was to be found on page 27 of the booklet and to be written out exactly verbatim. If you look at the Aussie Childcare Network website, which is a forum for early educators, you'll find plenty other examples of the same sort of thing.

In my discussion points that I submitted earlier, I made three, possibly overly-radical, recommendations for the Commission that weren't fiscal-based sort of changes that could be changed to the sector. The first recommendation was about children who aren't developing in an age-appropriate manner. In the report, the Commission had special funding set aside for these sorts of children - I can't remember what it was called.

DR CRAIK: SECLS.

MR SHANNON: SECLS, yes, sorry - if they were diagnosed with a disability. Unfortunately, the average age for autistic children to be diagnosed is five or six years old. The average age for children with Asperger's, while it still existed - it's now been rolled into autism, with the latest DSM, published last year - was 11 years old. That's a little late for early intervention but educators can see something is wrong before doctors are able to put a specific label on what that wrong thing is. Educators worry about these kids, they really worry, but they've got nowhere that they can take those worries. They can tell their centre director, and the centre director can say, "Yeah, I'm worrying too," and that's the end of the matter. You can talk to the parents, and the parents will say, "Yeah, I'm worrying too. I've gone to the doctor, and the doctor says, 'We're not sure yet. Wait until they're older.'"

The second recommendation was that an alternative to the current Certificate III and diploma training program is set up - alternative stream of how to do it, which is not the individualised competency-based model which is currently used but is rather collegiate and problem-based, which is actually along the lines of some of the existing professional development programs - and that this would not be accessed by external RTOs but by room leaders or other senior educators embedded in everyday practice.

Much as the way that the most important assessment in a teaching degree is the practical component of the teaching degree, when you go to apply for teaching jobs, what they're most interested in is the comments of the teachers in the practicals; it's not what you've got on your particular assignments. I think that a similar sort of emphasis should be placed with the training of educators.

The final recommendation was tied into the second and it was to encourage educators to

feel confidence in what they were doing. They needed to feel that their actual job was valued, rather than - there's this general feeling that educating children is valuable, which is sort of a widely-held opinion that you've mentioned in your report, but that's a different idea to "Your particular job is valued." I think having some kind of career progression is really important because at the moment a lot of people actually fear becoming room leaders because it means a couple of dollars more an hour and an order of magnitude more work and responsibility, and it's just not worth it. If money that's currently being given to RTOs at the moment was given to room leaders or senior educators to take on this mentoring role that I mentioned as a way of doing Certificate IIIs or doing diplomas, you could increase the prospects of senior educators being able to earn a decent wage.

Even if these specific proposals don't develop, I don't really think they will - I really want to stress that, as you go back and look at your draft report and how it should be changed, that you think about how each thing either empowers or disempowers the educators who are the main providers of care or education, or whatever you want to call it, to the children that we're worried about.

DR CRAIK: Thanks very much, Robin, for that and thanks for coming along today. The first point you made about children who are not diagnosed with a disability or some kind of vulnerability but, nonetheless, the educators can see that there is an issue, or potentially an issue; I guess the challenge arises in terms of, how do we - because the amount of money is likely to be limited, budgeting their money - can you think of any criteria that we can use to ensure that not everybody ends up falling into that category? Is it possible to construct criteria so that extra funding can be got for those children without blowing the budget completely?

MR SHANNON: Strangely enough, that's the exact question I thought you'd ask.

DR CRAIK: Have you thought of the answer?

MR SHANNON: No. I'm not quite sure of what the answer is. This goes a little against what I was saying but possibly - if the point of having a health professional is, then you have some kind of impartial opinion on this, perhaps what you want from the health professional is a notice of concern or something, rather than a specific diagnosis.

DR CRAIK: When you say a health professional, would you mean - I guess I'm - - -

MR SHANNON: Probably a doctor, not a chiropractor.

DR CRAIK: No. I guess I'm asking - from what you say, it sounds like some parents might not recognise it, so might not take the child to a doctor to get a diagnosis

MR SHANNON: At my own work, we're a very lucky centre, we're built into a school and we have maternal health workers come to - it's like this big integrated thing; it's a really wonderful system. I guess I was wanting to include things like nurses and stuff in that because I think sometimes they're not as off in the clouds as doctors can be.

DR CRAIK: That's a concern expressed by - or documented concern, I suppose, by a health professional, even if it's not a formal diagnosis. Thank you.

MR COPPEL: If a centre received extra funding for a kid that had yet to be diagnosed, what would the funding be used for?

MR SHANNON: It's a bit hard because you want me to make recommendations for the whole of the childcare sector. I have specific children in mind in my particular centre in my particular experience. So I'll just talk about my own particular experience. There was this one kid who was in babies until he was two and a half or something, quite a lot older than any of the other babies there. It was because he was not developmentally ready to move up. He still hasn't been diagnosed formally. But there was just nothing that we could do for him because we were so busy doing things with all the other babies. This boy needed one person just to be with him. Now that he's come up into the toddlers' room he does have – they did manage to get a inclusion support worker or whatever it's called, I can't remember the technical term, who does spend a lot of time just working with him. It would be really great if they actually got some training on things they could do as well rather than just being given the time. But just being given the time is a lot better than sit in the corner because you're the too-hard basket. If there's one person who's being paid to be there just to look after that child, then it makes a huge difference. If that person has training on developmental issues, fantastic. It doesn't have to be a university-trained whatever. It needs to be practical basic things.

DR CRAIK: Would a more useful thing be to train more staff?

MR SHANNON: Yes, definitely.

DR CRAIK: Rather than have to bring someone in?

MR SHANNON: Definitely get a staff member who's currently there.

DR CRAIK: Give general training to – more staff on children with additional needs, would that be beneficial?

MR SHANNON: Yes, I would personally love more training. I happen to have an Honours Degree in neuroscience. So I know quite a bit about developmental disorders in one sense. But give me a kid with a developmental disorder and I've learned – I knew nothing of what to do when I first started childcare. It's only through trial and error that I've learned anything and through talking with other staff members who were there that I've learned anything while I'm there. But I'm sure I could learn a lot more of how to practically interact and deal with children.

MR COPPEL: Does the Certificate III training give you any training on kids with a disability?

MR SHANNON: I'm not sure because I haven't finished my Certificate III. But if it does, I'm not sure that it's going to be particularly useful. Certainly my experience of Certificate III training has not been a – you probably guessed – a great one.

MR COPPEL: What about the floor leader or other people in the centre, is it possible to ask them? I know you made a reference to asking a question and not getting a practical answer.

MR SHANNON: Sorry, when I was saying before about the answer to every second question being asked your room leader, it was for really trivial things. In my experience, my room leaders have always been very open to discussing, in broad terms, the best way of how we should be going about interacting with particular children and what is best for these children, that sort of thing. Yes, but I – maybe I’m wrong, but it’s not my feeling that any of my room leaders have really deep understanding of how to best interact – like they have their own trial and error things – I mean more trial and error experience than I have trial and error experience because they’ve been there longer and, I mean, that’s why they’re room leaders; because they’re better at it than I am. But I think that they also – everyone would be able to benefit from more training in how to deal with developmental problems.

DR CRAIK: I don’t know how familiar you are with the inclusion support funding. But what’s the most limiting thing there with the funding? The number of hours that an inclusion support worker is funded with or is it how much – the time the child attends the centre or the dollars that are available or what? I don’t know if you’d know.

MR SHANNON: I’m not specifically – with the particular child I have in mind, they only attend for two sort of half-days and there’s an inclusion support officer for the whole time that they’re there at the moment. So I’m not sure the exact reason why they only stay those days.

DR CRAIK: In terms of the sort of qualifications that – your perception in terms of the qualifications that are required and most useful and most helpful, you’re giving a strong message that practical experience is a really critical element in all this. Obviously some theory is clearly important as well.

MR SHANNON: I think yes, definitely practical experience is extremely, extremely important. But I don’t want to be too disparaging of theoretical ways of understanding. My disparagement would be towards really individualised and really not – sorry, I’m not quite sure how to phrase this. A whole lot of facts all jammed together rather than something that you’re then able to apply – I just make a quick example of we had someone come in and do some professional development with us that didn’t count towards any official training. It was just a session run. So everybody in the centre had to come. And it was about child safety. We have a large number of indigenous kids in our centre and one thing about indigenous kids is that they’re really touchy quite often. It’s a sort of cultural thing. This child safety person was saying we need to move from being – as educators, we need to stop being as touchy to kids because we need to teach safe body, my body is my body, that sort of thing. As a whole centre, we were having this big debate, everybody, about, “But what about cultural inclusion?” There’s not a correct answer of these things, whereas as the current training is set up there is a correct answer; you tick the box and then you leave it in the training and you go off and do your own practice which has nothing to do with what was in the training.

What I’m saying is that you need to have it as a group discussion because you educate not as individuals, you educate as a group with specific children. You need to be able to bring as a group your experience of those specific children together and have serious discussions about what you’re doing with those children rather than essentially just ticking boxes, which is the current approach.

MR COPPEL: When you made the point that the training stifles innovation and initiative, what you had in mind in terms of a system that was more supportive of taking self-initiative and innovation was sort of more practical group-type training?

MR SHANNON: Yes.

MR COPPEL: Are there any other sort of aspects that you think would be important that would support more innovation and self-initiative?

MR SHANNON: In terms of training specifically? I guess well, what I was thinking in terms of having specific mentors in senior educators or leaders or whatever, room leaders or however it was set up, you'd – my partner has just gone through a bunch of – this is probably why I've got it on my mind – a bunch of practicals for her early years masters degree. Rather than having a bunch of boxes she had to tick in these practicals, she had to come up with exciting ways of – exciting plans, what to do with the kids and then have them judged and talked about and go back and forth with her practice teacher. I just think that sort of mentoring relationship, plus big group discussions, put together to really foster actually coming up with new ideas and new things to do.

DR CRAIK: Why doesn't that happen now? Why can't the – I mean, could you suggest to your room leader or someone that you set up a mentoring setup in your centre?

MR SHANNON: Definitely I could.

DR CRAIK: So why couldn't it happen now?

MR SHANNON: Well, maybe after my room leader finishes doing her 17 hours of unpaid work for the week, she'll have time to – this is what I'm suggesting: that if there's specific pay – if this is a specifically paid sort of thing, then – at the moment they're already mentors. We already have like room meetings about once a month or so. It'd be lovely if they were more frequent, but it's just – there's not the time, there's not the money. There's too much – she's off the floor half the time because she's doing all this ridiculous documentation and observations and all these other things that she has to do, getting her away from the thing that she's really good at and that she loves doing.

MR COPPEL: What are the sorts of documentation that you'd describe as ridiculous?

MR SHANNON: I'm probably on the radical fringe of this and would say most, possibly all.

DR CRAIK: It's a different view from what we've heard, that's for sure.

MR SHANNON: It's my view – I'm not a room leader so I'm not doing a lot of it. But I think the obsessive observations and writing learning stories and all this stuff about the kids who are developmentally normal is pretty much useless and takes up so much time and I almost feel is exploitative of the kids. It's essentially little Johnny said something. "Congratulations, little Johnny." He continues to develop normally, nothing is wrong. Like I think really close observations of kids who aren't developing normally would be a very useful use of our time, but the ones who are it seems just like you're getting a bunch of

people who often don't have English as their first language to spend a huge amount of time writing things. It's not – yes.

DR CRAIK: Do parents value it?

MR SHANNON: I do think that some parents value it and some parents couldn't give a – yes.

DR CRAIK: One of the issues you raise is about career progression and things. Is there a kind of professional association of educators like an industry association, professional association, so that you have regular get-togethers like there's societies of economists and whatever?

MR SHANNON: I mean, there's obviously the union which has - - -

DR CRAIK: No, I was thinking more of a professional association.

MR SHANNON: I mentioned before that website that's sort of something like that, but no, I don't think I'm aware of anything like that.

DR CRAIK: It seems like it might be a good idea.

MR SHANNON: Maybe if the hours were shorter. I'm not sure that people want to do it in time outside work.

MR COPPEL: In your written notes you had a suggestion to increase the child to staff ratio allowed for senior staff and then to increase their pay commensurably. Could you elaborate a bit more on what you have in mind there?

MR SHANNON: I think I said, "I make this suggestion with substantial trepidation," was the next sentence. It's not exactly what I would see as an ideal outcome. I just really think that – I'm not a room leader but I see how much a room leader holds together each room. And that to encourage – because I've seen mostly very wonderful room leaders and a couple of duds. To encourage the absolute best to become room leaders you really need to make it a attractive proposition to become a room leader, which it is not at the moment, at all. So I was just trying to come up with any way of trying to increase the pay of a room leader to try and make it an attractive proposition. I guess my idea was that some senior educators simply can look after more children but it's – yes, again I said it with substantial trepidation.

DR CRAIK: Do you plan a career in early childhood education?

MR SHANNON: It sort of depends on what the day is. Possibly, except I would certainly do what my partner has done and become a early childhood teacher rather than continue within the long day care. But I mean, on other days maybe not. For the next year or two certainly. I've been in childcare for two years now.

MR COPPEL: Thank you.

DR CRAIK: Thanks very much for that. It's been really good. Thanks very much and thanks for making the effort. When the Cultural Au Pair Association arrives – and hopefully that won't be too long – we'll resume again. So we'll see you in a bit. Thank you.

ADJOURNED

[9.35 am]

RESUMED

[9.54 pm]

DR CRAIK: If I could ask you to state your name and organisation, for the record, and then if you'd like to make a brief opening statement.

MS AYLWARD: Certainly.

DR CRAIK: Thank you.

MS AYLWARD: My name is Wendi Aylward. I'm the Chair of the Cultural Au Pair Association of Australia, otherwise known as CAPAA. I'm also the Managing Director of AIFS Australia.

DR CRAIK: What's AIFS?

MS AYLWARD: It's the American Institute for Foreign Study. That's the company that I work for but I'm here today as Chair of CAPAA.

DR CRAIK: Okay. Thanks very much. If you'd like to make a brief statement. Thank you.

MS AYLWARD: Certainly. Firstly, thank you very much for allowing us to attend and present today. If I can briefly just give a brief introduction into CAPAA is and why we are formed, we were established two years ago as an industry association. We represent a number of agencies in Australia that have been running au pair programs for varying lengths of time. What we were all united in were some common concerns and, I guess, some common things that we wish to advocate for in the industry.

As mentioned in the report, we estimate that there are around 10,000 au pairs in Australia, international au pairs. We have all experienced a significant demand in families seeking au pairs. As an industry, it's quite disparate, in terms of what companies offer and how they deliver, recruit, screen au pairs, and we felt that there really needed to be a framework around that, that there needed to be some minimum standards around the recruitment of international au pairs. There should be an emphasis placed on the cultural exchange aspect of this program. Au pairs are not there to replace traditional childcare; they are there - in some areas, simply, there are no other childcare options, and that's particularly the case in regional areas of Australia and, certainly in some of the inner-city areas, Sydney, Canberra, Melbourne, we often have families cite that they simply can't get other forms of childcare, or that their situation has changed, in that they need flexibility outside of the traditional hours.

We welcome actually being acknowledged in the report and we do see that there is a future for au pairs to be part of a childcare solution. There was one very significant recommendation in the report for the extension of the 12-month visa; we certainly welcome that. We would like to see that there is some framework put in place. For us, as an industry association, we do a lot of screening in recruitment, before an au pair is accepted and is placed in a family, and we actually support that au pair and that family during the placement, to ensure that it's a positive experience for both parties. There are a lot of companies that are starting up and we really want to ensure that they also adhere to some sort of guideline. As there is no framework in place currently, our industry association has established the framework that our members must adhere to, and I'd certainly like to have the Commission look at that more closely.

There are simply, as I mentioned previously, not enough au pairs available for families at certain times of the year. To explain, with the working holiday visa, it is very much geared towards Western Europeans - Germany, France, the UK - coming to Australia on a working holiday visa. The traditional time that they arrive in Australia is around the August-September period, and that's not historically when families are seeking childcare. Our greatest demand is around the beginning of the year, December, January, February, March, when children return to school and families are looking for options; they can't get into childcare, there aren't options available.

There is a disparity between when a traditional working holiday country - arrives to when a family needs an au pair. One is a 12-month option; the other, I think, is how we can expand to possibly include new countries that align with when a family actually needs an international au pair for their family. The countries that come quickly to mind are Brazil - they already have a very established au pair program to the US. Chile is another one where they're under the working holiday visa but they only have a very small allocation of visas; so, not significant enough to meet the demand.

I'd also like to add that this sector - besides addressing the need for childcare, au pairs offer a lot more to Australia. They assist families with childcare. There is a number of studies, and one that I cited, where the GDP - just the increase of working holiday makers and what it does to our economy, to the tourism industry here is significant. Au pairs tend to stay and then travel around Australia; they bring their families, they return to Australia, so they're repeat visitors. There is an ongoing benefit, not only to those au pairs who go back to their home countries - but there is an ongoing significant benefit to Australia outside of just simply looking at childcare.

There's a number of points, I guess, that I had. Some of the challenges that face our industry besides that framework missing: we currently - all of our members do police checks in home country; we do screening, reference checks. The report mentioned first aid. All of our members ensure that au pairs have first-aid certificates, medical checks and immunisation, they do face-to-face interviews to screen, so there's actually quite a lot of screening that does take place.

Where there's a challenge for us at the moment is that there is still some greyness in regards to the working-with-children check, state-by-state, in terms of the definition of what an au pair - where it falls under, the categories, and I should note that 99 per cent of au pairs have never been in Australia but we do do that working-with-children check. We take very seriously the police check from their home country. That's something that's still a challenge

for us.

As I said, the biggest challenge is really the framework and ensuring there's a sufficient number of au pairs, through programs like the working holiday visa program, that will address the need that the families have, not only now but for the future.

DR CRAIK: Thanks very much. I have a couple of questions to start. How many organisations are in your industry association, how many au pair organisations?

MS AYLWARD: We're still very small. We have five members - actually, it's recently increased to seven members. There are a lot of other au pair companies out there. We're a very young association and part of, I guess, our priority for the next 12 months is to try and build that across Australia.

DR CRAIK: Do you have any numbers on the nature of your clientele, like, what kind of professions they're in or what kind of work they do?

MS AYLWARD: For au pairs prior to their arrival in Australia?

DR CRAIK: No, for the families who use au pairs. I suppose the question is, who uses au pairs and what's the breakup, if you have that information?

MS AYLWARD: It's actually quite broad. We have single and dual-parent families, we have a lot of regional families; as I mentioned before, we have a lot of families who are working in - they're based in the city and they simply can't get childcare. A lot of families do this program simply because there aren't other childcare options available.

The benefit of having an au pair in your home - there's a cultural exchange benefit. There's also, too, the pressure of - not having to be at a childcare at a certain time, when - work sometimes doesn't allow you to be there at 5.30 or 6 o'clock, when the centre closes. We have working families. There is a - this is not the domain of simply those that have a lot of money. Families - it is also a cost-effective way of having childcare.

MR COPPEL: Do you represent Australian au pairs working overseas or act as a placement for Australian au pairs overseas?

MS AYLWARD: My company - we send Australians overseas to work as au pairs; we send them to America, under the J1 Au Pair program. Not all of our members do. Certainly, the reciprocity is something our members endeavour to do but there's certainly more of a demand at this stage for au pairs coming into Australia.

MR COPPEL: Are there any lessons that you would draw from overseas practice with regard to au pairs that you think would be relevant in the Australian context?

MS AYLWARD: Yes. I think the J1 - and I'm very familiar with the J1 Au Pair program. Our company, AIFS does a program called Au Pair in America, under that category; we were one of the first to set it up, so we've had a lot of history. There are some very positive outcomes. We did a report recently in which we surveyed 5000 au pairs about their experiences and that report really noted some tangible, positive outcomes for both the families and the au pairs. I think, in terms of lessons that we could learn, the J1 is a very

good model for how you can screen an au pair and really ensure that best endeavours are used to find a suitable placement for a family. Those screening mechanisms - and ensuring that there's a cultural-exchange piece there, I think, really - then move away from the danger of an au pair simply going into an environment where a family hasn't been screened. We certainly don't want to put au pairs into families where there may be any risk, as well. Certainly the J1 visa has a high level of support, so that the au pair and family is supported throughout the duration of that placement.

MR COPPEL: How do you ensure a cultural-exchange aspect of an au pair experience?

MS AYLWARD: There's a number of ways you can do it. We have a - I speak for my own company. We have a community counsellor. At the start of our program is a two-day orientation. That orientation is to help prepare the au pair for experience - there's a paediatric first-aid course that our au pairs complete. We talk then to the au pairs about how the cultural-exchange aspect is going to work during the placement. When they enter the family, our community counsellor is in contact with that family and with the au pair. We arrange events for the au pairs, we have a networking group so that they can meet and exchange culture.

By default of an au pair being in a family, cultural exchange happens, really, on the home front, in some very, I guess you'd say, sweet ways; children learn other languages, we hear great stories of families where their children learn German or French or - and then that starts to extend out to the community. Certainly in regional communities, we see that benefit of cultural exchange. Regional communities in particular are very close-knit. Having someone from another country into that community is quite new, and that community engages with that au pair.

DR CRAIK: What percentage of your au pairs would stay with a family for 12 months?

MS AYLWARD: With our association, our placements are six months in duration, and that's under the working holiday visa.

DR CRAIK: Do they go to another family, usually, or do they go and do something else after one stint with a family?

MS AYLWARD: Most of them then use that remaining six months to travel and experience Australia. The working holiday visa is very much to work and to travel and to experience - you know, do a little bit of travel, a little bit of work.

DR CRAIK: If our recommendation was saying au pairs could stay with one family for 12 months, do you think many will take that up?

MS AYLWARD: Yes, I do. However, I would predicate that - that I think, if we extend it to 12 months, really, we'd like to ensure - and we would need to build in, as part of that extension - that the au pair is given an opportunity to travel and experience Australia. They're coming here specifically to do a placement with a family, however the experiencing our country is a very important part of that program.

DR CRAIK: How would you see that best being done? If it's a 12-month visa it almost suggests extending the family thing to 10 months or nine months, rather than 12 months or something, and leave three months to travel.

MS AYLWARD: There's certainly the option that they can switch to a tourist visa after that. There should be some inbuilt leave period over that 12 months and au pairs simply can't work for 12 months straight without a break. So, I think there's two options, either building in some leave component as part of that 12 months and maybe that is an 11-month program with a one-month period, or alternately, having a 12-month placement with some leave built in throughout that and switch to another visa category or perhaps a change to that visa to allow a travel extension.

We were talking about the J1 visa before in America. That visa is 12 months in duration and then they have a one-month travel period at the end that allows them to see the country.

DR CRAIK: Maybe you could give some thought to that and I hope you're sending us a submission.

MS AYLWARD: Yes.

DR CRAIK: You could give us some ideas about that in your submission or you could make a good point about it.

MS AYLWARD: Certainly.

DR CRAIK: You don't want them to work the whole 12 months and have to go back with not having seen the country.

MR COPPEL: What are the insurance arrangements for a family that takes on or what insurance arrangements are they required to have for a family that takes on an au pair?

DR CRAIK: Most families require an au pair to drive, so the au pair must be covered under that. Again, I state this as our members, CAPAA members, who have this requirement. There are many companies out there that simply wouldn't require this or enforce that. I am not sure how they operate, however as far as our members go, they must be included under the insurance policy if they're going to drive. All au pairs have their own insurance and must be covered to a certain level in order to participate on a program like this. So, no au pair is coming in to this country if they don't have medical and public liability insurance. Some families then include – make arrangements under their own insurance provisions. Again, I couldn't speak to all of our members. I know what we do as a company, AIFS, the company that I work for. As I said, the most common requirement is in regards to the automobile insurance and also to the au pairs own medical and liability insurance.

DR CRAIK: How are the countries from which au pairs can come, how do they get on the list of countries from which au pairs can come?

MS AYLWARD: The working holiday visa I think at the moment has around 17 countries. I may be wrong, give or take two or three. There are a number of also work and holiday countries, the US, I think Chile, Uruguay, and Thailand. There's a number of countries on that visa. That visa has a set allocation of visas which is quite small and they run out very

quickly. Thailand is one country where we think there would be an opportunity. Thailand does send au pairs to America and other countries. They simply – the agents that we work with in that country simply can't get the visas to come to Australia. The majority of those who we know, our association members, come from Western Europe, so France and Germany make up the bulk of those that are currently coming.

DR CRAIK: How do they get kind of approved?

MS AYLWARD: The recruitment process?

DR CRAIK: No, how does whoever it is decide what countries?

MS AYLWARD: That's done by the Department of Immigration.

DR CRAIK: Do you know the basis on which France and Germany make the list and other countries don't?

MS AYLWARD: I think that certainly one is reciprocity. Both countries have to sign. It needs to be ratified. I know there are a number of countries under negotiation for working holiday or work and holiday visas at the moment.

DR CRAIK: Okay.

MR COPPEL: Do you have information on the early childhood education and care qualifications of the au pairs that are in place by your service?

MS AYLWARD: Yes. My own company, and companies vary in what they offer – again, I think is something that would be very beneficial to build a framework around. The minimum is 200 hours, normally 200 hours of referenced childcare. Normally it's a lot more than that that an au pair has in order to do this type of program, simply because 200 hours can be done quite quickly. In the case of AIFS and how we do it, minimum 200 hours, two references that must be checked. We complete a one hour face-to-face interview in their home country and that is really actually to screen their suitability. We talk about child protection and safeguarding. That's an important element of this type of program. We look at those references and that background. Now, some of them can have university qualifications. Others may simply have gained childcare experience through babysitting and other means. So the level can be quite different. Once they have met that, and in our case we write up a report, quite a detailed report, after an au pair has completed an interview, then we will assess whether they are suitable to come on this type of program.

An agency, and there are a number of online ways to fund an au pair, those pieces haven't been completed. Again, and that's why we're really calling that there is some standards put around this, because there are families that are choosing an au pair that may have not had that screening element completed.

DR CRAIK: Au pairs seem to be largely young people. Is there anything stopping older people?

MS AYLWARD: A visa.

DR CRAIK: Can't they get them?

MS AYLWARD: The working holiday visa is for people aged 18 to 30.

DR CRAIK: Okay.

MS AYLWARD: So those that are – and I know I have heard reference granny au pairs. That's not something that our agency and the association CAPAA works under the framework of the working holiday visa, which is 18 to 30.

DR CRAIK: Do you have an interest in extending it to older people or not?

MS AYLWARD: Yes. Again, I think if we were to extend the age. Certainly there's no visa that exists for someone that is older to do this. Again, if there was a visa, then I would like to see it come with a regulatory piece around it.

DR CRAIK: Okay, thanks.

MR COPPEL: You're calling for a framework around the au pair sector, do you have in mind a model which is sort of a self-regulation model or are you thinking more in terms of more formal regulation of the au pair sector?

MS AYLWARD: Again, and New Zealand is also one that uses agencies and I will cite the US program where the agencies have responsibility to ensure that they screen and they recruit au pairs that meet minimum standards. Ultimately a family makes a decision when they interview an au pair and we very much – this is a matching process and we don't enforce an au pair on a family. They have got to live together for six months. So, it really is a matching process, but yes I would see a model ideally would be that there are agencies that have been screened and approved to be able to deliver an au pair program. That includes not only the screening and recruitment piece but also when the au pair arrives in Australia that there is some orientation happening, and that there is a support piece that once the au pair goes into a family that there is a procedure followed of how that au pair and how that family is supported.

DR CRAIK: Do you have many disasters?

MS AYLWARD: Things can go wrong, yes, people don't get on. The expectations are misaligned. You know, certainly in the case of Western Europe it's very hard to describe a regional area to someone that's from Germany. When we talk about a family that's 200 kilometres from the nearest town, that's very difficult to visualise. Look, it's not perfect, just with any childcare, and sometimes it doesn't work. Again, when it doesn't work, there needs to be a procedure in place for how that is acted and reported on. At the centre of this the au pair is caring for children. Whether it is the au pair or the family, if we receive – whether it's a report of homesickness to something more serious, then there needs to be a procedure in place and policies in place for how that's acted and reported upon, certainly if it's more serious.

DR CRAIK: And members of your association have that sort of thing in place.

MS AYLWARD: Yes.

MR COPPEL: How many au pairs actually stay through for the full six months?

MS AYLWARD: In the case of our agency, most of them. We do people that are homesick and return home and there are those where it doesn't work out. Look, it can sometimes – it's very hard to certainly mediating those situations. There are two sides to every story. So sometimes it doesn't work out, in which case if it simply is personalities or that an au pair can't cope in perhaps a regional area, normally an agency would replace. If it's something more serious then certainly a more serious process would be in place and perhaps termination from the program.

DR CRAIK: Thanks very much. That's been really interesting, really helpful. So if you could put some of that in a submission, that would be really great. Thank you very much.

MS AYLWARD: Thank you very much.

MR COPPEL: You also made a reference to a study of 5000 - - -

MS AYLWARD: Yes.

MR COPPEL: If you could include that reference, it would be helpful.

MS AYLWARD: Certainly.

DR CRAIK: We hope your flight back is more - - -

MS AYLWARD: Thank you.

DR CRAIK: Moving right on. Sam Page, Early Childhood Australia. When you guys are ready, if you'd like to state your name and position and organisation and if you'd like to make a brief opening statement, we'd be happy to hear from you.

MS PAGE: Thank you. Good morning, my name is Samantha Page, I'm from Early Childhood Australia and I have with me -

MR STEEL: Chris Steel, policy manager, Early Childhood Australia.

MS PAGE: Thanks for the opportunity. Early Childhood Australia welcomes the draft report from the Productivity Commission and there's lots in the report that we agree with. There are some areas where we have some concerns and would like to contribute to your thinking between now and the final report. In our opening statement we'd like to start with urging the Commission to put more emphasis on children's developmental outcomes and the rights of young children at the centre of reforms for the early childhood education and care system. We think that while workforce participation is certainly very important and provides a strong economic rationale for investment in early childhood education and care, the needs and rights of young children should be paramount and we think more needs to be done to build a system that actually puts children's rights front and centre.

As part of that, we'd like to see more emphasis on measuring outcomes for children. So we think this is one of the areas of government expenditure where there's a significant

investment and very little measurement of the outcomes and what value for money we're getting from that investment. There's certainly lots of potential with the Early Childhood Development Index and the longitudinal study on Australian children and other existing datasets to do more research. But we actually need an outcomes framework that specifies what it is we're trying to achieve for young children, as well as for families' workforce participation, and measure those outcomes. So that's where we'd like to start.

In terms of where we were very pleased to see the Commission recommending overall increased investment in early childhood education and care, that's something that ECA has been arguing for some time. Australia is behind international benchmarks for level of investment in early childhood education. We think that there's a strong economic case for increasing the investment. We agree with you also that this is perhaps a higher priority than the more generous paid parental leave scheme. However, I have to say we still support paid parental leave very much and if we can afford it to be more generous, that's terrific. It's terrific for women to be able to make choices and terrific for babies to have more time with their parents at home in those very early months. However, if it's a matter of relative priority, what we hear from parents is that the cost of long day care is the more significant area of concern.

We are also a little concerned about some of the savings measures recommended, particularly the application of a more stringent work activity test that would see many children whose parents aren't participating in the workforce miss out on early childhood education. Going back to our initial argument about the rights of the child, we think children should have access to quality programs in their own right, not contingent on whether their parents are participating in the workforce or not.

We were particularly pleased to see the Commission look at a single subsidy system and significant reform of the subsidy system. We think one of the major barriers to participation, particularly for low income families, is the confusion there is around the subsidy system and how it works and people just assuming that they can't afford to access services. Also the reality of really not being able to access services because of the way the subsidy system is working, it's not covering the full cost for many low income families. So cost becomes prohibitive. We do, however, suggest to you that in moving to that single subsidy model – and we've had a good look at yours and we'll provide some more detailed commentary on that in our submission. But we think that the deemed cost needs to be more closely aligned with the actual cost or the viable cost of delivering services because what we can't afford in Australia is to have a drop in supply. We have already too few places to meet the demand from families that we already know have got access issues in many areas of the country. If the cost isn't right, if the deemed cost is too low and we have services closing and losing spaces, that's going to be a worse outcome for families.

It's also important to get that cost right in terms of actually covering a large proportion of the real cost for those families, the low income families, who otherwise won't be able to access services. So while we think the principle of a single subsidy system and a single subsidy that's paid directly to services to reduce out-of-pocket expenses for families is the right way to go, we do think it's absolutely critical to get that cost right, the deemed cost, as you called it. We're talking about a viable cost or an actual cost. And also to look at what some of the variability might be in terms of how the cost is calculated. So whether we have different costs across different service types, outside school hours, family day care, long day care, whether we have different costs for children of different ages, particularly birth to 36

months, and obviously metropolitan versus regional and rural. I think there's a lot of very interesting work that could be done across those variables in terms of how to get that formula right, but agree that the principle is right.

As I've already mentioned, we don't think the activity test should exclude children whose parents aren't working. We do think you could maintain either the existing activity test or a new activity test for over a set number of hours. At the moment, children whose parents aren't working can still access up to 24 hours. We would like that to be 30 hours, but we understand there are economic implications of that. However, there should be some access for those children. Then a work activity test might apply for the families seeking up to 50 hours of subsidy. So that's what we will be putting in our submission back to the Commission.

The next area that is dear to our heart is the National Quality Framework. We were really pleased that the Commission supported maintaining the National Quality Framework. We do have some concerns, however, about some of the recommendations you floated, particularly in relation to the qualification requirements for educators working with children under the age of 36 months. We believe there is research evidence that shows qualifications are important for that age group. It's not as strong or robust as the four to five-year-old age group but, nonetheless, there is evidence. We understand there are a number of academics that are preparing submissions to the Commission that will highlight that research and we'll be referencing that as well. But, specifically, there's a (indistinct) study in the US and Linda Harrison's work on the LSAC as well as a recent study published just this week by Gia Lanos(?). These studies do demonstrate that qualifications impact directly on quality of service delivery. The quality of service delivery is particularly in the relationship between the educator and the children. We think that maintaining higher qualification requirements other than the Certificate III – so the Certificate III is important that everybody has Certificate III, but having someone who has a diploma-level qualification and someone with a teacher qualification who's at least advising on the program and the way the program is being delivered are really important.

We also would urge some consultation with the researchers that undertook the EPPE study in the UK on which much of the development of the National Quality Framework in Australia was based because we understand there might be some translation issues in terms of qualifications in the UK actually being equivalent to a diploma-level in Australia, not a Certificate III. So we would urge the Commission have another look at that. We don't want to go back to separated care from education. Babies are learning from the very beginning and we've got children coming in to long day care earlier and earlier in their life course for longer hours, and we have in the history of the country before. If there is any doubt, we should err on the side of caution and make sure that we have high-quality programs. Certainly practice evidence suggests to us that there are very few services that would be comfortable having only Certificate III level staff in their babies' rooms. We are running a survey – and Chris can talk to that in a minute – but certainly practice evidence would suggest that a higher level of qualification is what most services would choose.

Also on the National Quality Framework, we actually don't think ratios can be averaged across the week. We think ratios are about having a minimum level of supervision of children in the centre. So it's difficult then if we're saying the ratios that are set – and we believe the ratios have been set at a minimum level – then to say that you can have less than that is obviously suggesting that it's okay at some stage to have children either unsafe or not

receiving a quality program. So we're not supportive of that recommendation. There may be some flexibility at the beginning and the end of the day. There may be some work we could do with regulators and service providers. I understand that is the most difficult time for services. Some services that we hear from have got very good at planning and asking parents about pickup times and other things in order to better plan their staffing, particularly at the end of the day. And there might be more work that could be done to make it easier for services to make those decisions and to run services efficiently without pulling back from the National Quality Framework standards around ratios.

The other area we'd really like to contribute to and we'll be doing some work on between now and the submission deadline is around the children who are disadvantaged or vulnerable. We think it's very welcoming of the Commission's recognition that the evidence is very strong about the potential benefit to those children participating in quality early learning programs. Those learning programs can really reduce the gap between those children and more advantaged children by the time those children are transitioning into school. We don't think that the recommendations that the Commission has made in the draft report will get us over the line in terms of increasing participation amongst those children, particularly if we're relying on children being known to the child protection authorities, for example. That's a very high level of risk. So we would be suggesting that there are much – that we want to catch children much earlier in the risk cycle and that there are other agencies and organisations that could be involved in identifying those children and determining when a special level of subsidy might be appropriate. We'd also like to see that extra subsidy paid for a longer period of time, because generally these children – children who are in vulnerable situations, it doesn't turn around in 12 or 13 weeks, it takes longer than that. So if we're accepting the premise that those children are going to benefit from being in a quality early learning system, we want to keep them in that system for a bit longer before we're reviewing the payment of the special subsidy level.

Similarly, we'd like to do some work around children with disability and additional subsidies paid there. One of the complexities in the early childhood arena is that a lot of these children have not been diagnosed yet. They won't have a diagnosis of disability. They might be going through the process of being assessed and/or it might be the early childhood educator themselves then has identified the child has additional needs and is still yet to have that conversation with the family and work through the implications of that and what early intervention might be appropriate. So while we agree with the principle of getting those subsidy levels right in terms of providing better support to children with additional needs, I think we need a different way of assessing which children have additional needs and what level of subsidy is appropriate for early intervention.

Just on the issue of flexibility, we are interested in the Commission thinking around moving away from minimum operating hours under the legislation. I think that there is some potential merit in that, however, I don't know that we have really looked at what all the implications are because it does mean that there will be a blur in between service types. So, the difference between preschool and day care and the difference between outside school hours and long day care, starts to become less clearly defined once the minimum operating hours are no longer in place. I think that some flexibility around minimum operating hours makes a lot of sense, particularly in rural and remote areas where a service may only be needed three days a week.

At the moment you either have to operate five days a week or not operate at all. It makes a lot of sense to do that, however there could be other implications and we would be concerned if it meant that a lot of services currently in the unregulated system, like crèche and other things, then start to want to access subsidies and start transitioning into the regulated part of the sector. For very small hours there's going to be impact there on regulatory authorities and a system overall, how much support can be provided to those services. So, I just think there's probably value in doing more interrogation of what are the likely impacts of removing minimal operating hours all together. Maybe there's a midway point which is about more flexibility without completely moving away from minimum requirements.

ECA on the NQF the other issue we wanted to raise is we would like preschools to stay within the National Quality Framework. We think it's really important that we have one national system. We also think that the future is around more integrated service models, where preschool and long day care and outside school hours care may be provided in the same space. There may be quite innovative quite innovative and new models of service delivery down the track. Having preschools separately defined and outside the system is, I think, not the way to go, given that that's the future of the service system. Also, the fact that preschools are in the system in most jurisdictions at the moment. That seems to be working quite well. I think there's some really useful learnings we're getting from the quality assessments that have been done on preschools and the quality assessments on long day care where the strengths are in those two different service models. We would strongly urge the Commission to not proceed with that recommendation in the final report.

ECA supports the inclusion of nannies under the single subsidy system, however we think that the critical piece there is not just the qualification that the nanny might hold, but rather that they are attached to a service that is responsible for overseeing their work; they have qualified supervision and there is somebody who is attesting to the fact that the nanny has the qualification; has undergone the checks that they should have; and is operating within the National Quality Framework. So we would see that as similar to the family day care model at the moment and would urge the Commission to think about that as the way forward for including nannies.

Just lastly on the tax concessions for not-for-profits, we don't like to get too much involved in the division between for-profit, not-for-profit and public provision. We think all of those providers can deliver really high quality services for children, however there are advantages for for-profit entities and advantages for not-for-profit entities. The balance of providers in the mix of services at the moment suggests that for-profits are doing fine and are not at risk because of the tax concessions that not-for-profits benefit from.

We think that having providers in the system that have a social purpose, a very strong sense of social purpose, and are reinvesting surplus from early childhood education and care into the wellbeing of children is an important aspect to maintain.

Thank you very much.

DR CRAIK: Thanks a lot, Sam. Thanks for all those thoughts and some useful suggestions.

If I could just start on the vexed issue of qualifications. I suppose it intrigues us a bit that when you compare in-home care, you compare family day care and you compare long day

care, and in-home care which often deals with a lot of children with difficulties, where there are no qualifications required, family day care where a Certificate III qualification and as I understand it only one person is required for up to seven, and then long day care where a Certificate III is the minimum but there are other qualifications, it seems if the issues that apply in relation to qualifications and long day care are serious issues, it's not clear to me why the same arguments don't apply to family day care and in-home care.

MS PAGE: Look I think they do. Now I was around in the very early days of in-home care and back then it was conceived as something that was a back-up service, if you like, to the formal early childhood education system. So, if you had a child who was sick and you needed a day of care in your home or a week of care in your home, or you had a parent who had to have an operation and needed support, then that was the program. Now, I know that it has evolved since then and it's provided much more regular and longer hours of care in the home. But it is still quite different to children attending an education program in a long day care setting or a preschool setting. However, we would be supportive of minimum level qualifications applying in in-home care and have argued that they should come in under the National Quality Framework.

In terms of family day care, it's true that the educator working with the children is required only to have the Certificate III qualification, however they are working in a scheme where they are supervised by people with higher level qualification. They have access to early childhood teacher qualified educators who can advise them on programs.

DR CRAIK: Or diploma-qualified.

MS PAGE: Yes, diploma and teaching qualifications. If there are children with particular needs or an issue that an educator is experiencing or difficulty that they're having or they want some assistance with planning their program, they've got access to that. That's similar to the long day care setting where the diploma or teacher-qualified educator may not be in the room all the time, but they are available to assist educators with planning educational programs, delivery of education programs, problem solving and also difficult conversations with parents, which is quite a significant part of the role. So, I think we should be aiming for higher level qualifications across the board, rather than reducing qualifications in certainly long day care settings.

I would also suggest that long day care is delivering an early learning program. That is the primary focus. A lot of children who might be receiving in-home care and family day care might also attend a preschool program. It's not necessarily and either or. But increasingly I think with the working parents they're looking to long day care service as the education provider. That's their expectation and that's what we should be delivering as a sector.

DR CRAIK: But you don't want to separate education and care as we have been told many times. I mean is there any evidence of different outcomes from family day care and long day care in terms of down the track?

MS PAGE: My understanding is that there is. I wouldn't call myself an expert in the research. Chris, would you like to - - -

MR STEEL: No, I am not an expert in the research either but I understand that there is research on that.

DR CRAIK: If there is any, if you could direct us to it, that would be really helpful.

MR STEEL: Yes.

DR CRAIK: I guess we haven't seen it but that's not to say it doesn't exist. We have been presented with a whole lot of new stuff anyway since the draft report. So if there's anything else there, that would be very helpful. Okay, thanks.

MR COPPEL: Just to pick up on the activity test where you have said that there could be instances of families with children that wouldn't have access to early childhood education and care because of that test. It's been suggested to us that another criteria could be a family that holds a health card, although that can be quite expansive. Are there any other criteria or criteria that you would think would be appropriate to pick up those families that are not in work and yet the activity test would prevent them from accessing childcare?

MS PAGE: One way to go would be to have a universal right of access for all children, so that all children can access up to whether it is 24 hours or 30 hours a week of a quality program, regardless of their parents work status. And then have an income test that determines then when the subsidy starts to cut out. So, I mean ideally that would be I think the best way to go, partly because it gets us through the communication information issue that we have, where parents just don't understand the system and they don't know what subsidies they are eligible for, and so they believe they're not going to be eligible and that their children aren't going to be access programs. If we could get to the point where parents have a clear expectation of what children can access, as we do with primary school. Everybody knows their child can go to the local primary school and that that child has a right to get an education at that local primary school. I would like us to have a similar system in early childhood education and care.

Stepping back from that, if we were to say, "Okay. I think the health card is as good as any sort of test if we have to have a test for which children should have an automatic eligibility, regardless of the work activity test." I haven't done the modelling or seen any modelling of what that would look like, so I can't comment on the cost of that. But it was certainly something that we were considering when we commissioned the work by Deb Brennan to look at what the financing options might look like in the future.

DR CRAIK: If you did have a universal access arrangement, and given the financial constraints under which we have to present at least one option to the government, what about the notion of a trade-off there. So you have universal access and you have an activity test which gives you a certain amount of childcare, then a subsequent activity test, a subsidy to childcare. Then you get another activity test, a second hurdle to get a greater amount of subsidised childcare. So basically you have two activity tests. What would your view be about that?

MS PAGE: Look, we would be very happy to take a look at that and we have not – we have accepted a need to means test a single subsidy system and accept that in order to ensure the sustainability of the system going forward, there will need to be various points at which subsidy levels either reduce or cut out. I think that the evidence is that higher income

families are accessing high cost services in private schooling settings and other settings, which suggests to us they are going to choose services based on the quality that they're looking for and the connections between those and longer term schooling options that they're choosing for their children. And so stepping down the subsidy at different levels is probably not going to impact on their workforce participation choices that they make or the quality of service that those children are receiving. So we are reasonably comfortable with that.

The children we are most concerned about are the low income family children who may be missing out altogether because parents don't believe they can afford it. They may be missing out because they really can't afford it, particularly if the subsidy is set at a medium or a price level and those children are in areas where the cost is much higher than that. So inner city areas where the cost of service delivery is higher, the medium cost is not going to cover the majority of costs to those families and they're simply not going to be able to afford it.

MR COPPEL: In relation to the recommendation on averaging of ratios which you don't support, you mentioned that more could be done in terms of requirements at the beginning and at the end of the day. What sort of things do you have in mind there that could be done?

MS PAGE: It's a good question. I think that there is some practice wisdom around services being able to plan their staffing at those two ends of the day by working more with families around pick-up and drop-off time. I think the model of the centre runs for 10, 11 or 12 hours. Everybody is charged for 10, 11 or 12 hours. The staffing is set to allow for large numbers of children at both ends of the day, as well as throughout the day. It's a model that has been driven partly by the way the subsidy system operates at the moment. If we are going to do major reform of the subsidy system, let's have a good look at that and see whether we couldn't change that as well and provide more flexibility in the system so that we're not necessarily having to charge parents on a sessional basis like that, and not necessarily having to over-staff at each end of the day.

Now, I am conscious that John might be firing evil glances at me right at the moment. A lot of service providers get very nervous when I talk about moving away from sessional payments or having multiple sessions through the day, because it is difficult to manage and it does have very real risks in terms of viability of services. But I think any reform of the nature that the Commission is suggesting is going to take some time and is going to need a lot of work. So there's an opportunity to work with the sector over what would be reasonable alternatives to just one long session in the day. How would we make that work and could we do that in a way that didn't compromise viability? At the end of the day, we can't afford to have services closing. We absolutely need services to be viable. However, I do think that there's potential for more flexibility.

MR COPPEL: The occasional care centres operate on a sessional basis and don't seem to have much difficulty doing that. What makes it particularly hard for long day care centres to do the same?

MS PAGE: Occasional care is a much smaller niche service delivery model. It's, as I understand it, not operating under the National Quality Framework at the moment.

DR CRAIK: And it's capped.

MS PAGE: That's right, and children are coming in for small amounts of time. It's quite different to be providing say 30 hours a week, the standard – 27, 30 hours a week, the standard amount of hours that early learning to children – we think it's a really significant important role of the educational program. Whereas occasional care being more short term, ad hoc, I think that it's quite a different model of service. I wouldn't suggest that there are aspects of the delivery of occasional care that could apply to long day care. I think that there is scope for long day care to provide more occasional care but it relies on an oversupply of places or a move away from sessional – the one long day session sort of model that we have at the moment. And again, that would require quite in-depth consultation with service providers.

MR COPPEL: Is it the NQF that's acting as a barrier for operating on a sessional basis? Is that the key thing?

MS PAGE: No, it's more to do with the childcare benefit, childcare rebate system.

MR STEEL: Under family assistance law, the minimum operational requirements apply. But I mean, we've been looking through our flexibility project that we're running at the moment at services that are offering shorter sessions and a range of different session times and they have the flexibility to do that under the current system. Children don't have to be in care for a minimum amount of time, although that might be an internal policy of some services. They can offer half-day sessions, they can offer short sessions or afternoon sessions. There is a flexibility to do that and extended-hour sessions as well, if they need to. So they do have the flexibility to sort of offer occasional care, if you like, under a long day care model.

MS PAGE: I just want to make sure that we're on the record as saying we don't believe the National Quality Framework is a barrier of any description. We think it's a fundamental safety net and children attending long day care for, as I've said, an average of 27 to 30 hours a week every week – more than 40 weeks a year for up to five years before they start school, it's really important that we get that right and really important that's a high-quality program.

DR CRAIK: Sam, you said you thought it would be a really good idea if the, I guess, investment in early childcare education was based on trying to achieve outcomes and actually had specified outcomes for the program. It seems to me to be a really sensible idea with what the outcomes of the system are. Do you have or ECA have any thoughts about what those outcomes might actually be?

MS PAGE: We did provide a little bit of a sketch of that in our first submission to the inquiry about where we thought some of these outcome areas were. And there are some examples with South Australian outcomes framework for early childhood education and care would be one starting point for that and there are also some international examples. So I'm very happy to do a bit more looking at that in terms of our next submission.

DR CRAIK: That would be really quite helpful, I think, because I think it's a really good idea. I mean, the government spends a lot of money here and it would be really good for them to feel that they're achieving what everybody agrees is the intended aim.

MS PAGE: Yes, and I think it would stop us just having the same argument about whether investment in this area is warranted into the future. If we were actually measuring those

outcomes, we would know what value we're getting from that. Of course the only difficulty there is we don't want to measure the outcomes of poor-quality early childhood programs or children missing out. So having the comparison is tricky. The sort of traditional randomised control trial type evidence is going to be difficult.

DR CRAIK: I think it's a difficult thing to do those in any way.

MS PAGE: That's right, yes. But certainly there's more we could do to measure outcome and invest in research into which policy levers impact on those outcomes the most and across different populations of children.

DR CRAIK: I think that's quite important because I think right now a lot of the debate is because research isn't as clear as people might like.

MS PAGE: And we're still drawing on research from overseas some decades ago.

DR CRAIK: And different sort of groups of children.

MR STEEL: We certainly welcome the recommendation to link those different datasets, the ABS data with LSAC and NAPLAN. But there needs to be a direction for the research at some stage on those areas and that's where an outcomes framework can provide that direction.

DR CRAIK: And later in life because if these benefits only exist till kids are 15 or something, is it worth the investment? So I think it needs to be quite long term longitudinal.

MS PAGE: We were having a bit of a chat the other day about whether the CCN number the Department of Human Services – every child that comes into early childhood education and care has one of those numbers. I don't know whether there's the potential to link that through to not just AEDI data or AEDC as it's now known, but also NAPLAN and also PISA and also longer term earnings and tax paid and so on and so forth. In theory, there would be the potential for that and I think that would really help us in future conversations about the investment in this area. Not to discount the benefits of workforce participation either or families' income capacity and resilience, I think that's all very important and should be part of the outcomes framework, but it's the developmental outcomes for children where we have the least amount of data at the moment.

MR COPPEL: Is there any research on the outcomes in terms of the transition to school between the kids who have been in a long day care centre, preschool program and those in a dedicated preschool program?

MS PAGE: It's tricky. My understanding with the AEDI data is that it's based on the foundation and new teachers' assessment of what program the child attended, which may or may not be accurate. Because we have differences across jurisdictions about the delivery of preschool within long day care settings, it's hard to differentiate. So look, the short answer is I don't know. But we can take it on notice. Chris, I'm not sure if you've got anything you want to add to that.

MR STEEL: I think it's very difficult for kindergarten teachers undertaking that AEDC questionnaire as understanding exactly where children are coming from. Some of them do

have very good links with kindergarten and long day care centres and may understand where the children are from in their community. But I'm not aware of any evidence around the differences. The amendments that we do have shows that preschool programs generally contribute to much better outcomes across reading, writing, maths and other areas in year 3 and year 4 – and you've reflected that evidence – but I'm not sure whether there's been any difference between the setting.

MS PAGE: The E4Kids study might. It's ringing some bells, I think, in terms of the different types, comparing different types of programs, preschool programs to long day care programs. So there might be some evidence in that.

DR CRAIK: One of the things you've talked about, Sam, is extending provision of care for people who don't meet the activity test and the importance of providing support to those children who have vulnerabilities but don't have a diagnosed disability. All those things cost money. So in terms of priorities and given that we have to come up with an option that's within the current funding envelope, if there had to be priorities in this, where would ECA see the priorities for funding?

MS PAGE: Certainly disadvantaged and vulnerable children and children with additional needs would be two areas of priority and also low income to lower middle income families where often engagement in the workforce is quite precarious, insecure, in and out. We believe that government investment in this area is particularly worthwhile for those target population groups and the benefits for those population groups accrue, particularly in child development outcomes, as well as enhancing capacity for workforce participation. Whereas I think at the higher income end it really is – there is an economic benefit. I think all families should get some level of subsidy ideally because I think there's a very clear social benefit to supporting families' participation in the workforce and also participation in the one universal system. I think that's quite important as well. However, if we have to make difficult decisions about priorities, it would be low income families, children at risk and experiencing disadvantage and children with additional needs.

DR CRAIK: Interesting we haven't had anyone tell us we should take the subsidy away from high income people. The only objections we've had about that is the fact that we've recommended dropping it.

MS PAGE: I think that's a tough call. But we would agree that if that's what it takes in order to provide support to the children who are most in need, then that's what's required. I mean, I do feel a little uncomfortable with having to make these trade-off decisions in early childhood between paid parental leave and early childhood education, between early childhood education for low income families and high income families. There's such a strong social and economic argument for investment in this area it should be an area where we can make investment decisions with far more confidence than I think in many other areas of government expenditure. We tend not to have to make these trade-offs in other portfolio areas. So ideally, I think we just drive increased investment and gather the evidence that we need to continue to do that. However, I'm conscious that your terms of reference do have some parameters around them.

DR CRAIK: Just one other question, briefly. You suggested a number of criteria – or not criteria, agencies that could be considered as appropriate for children who are not formally identified at risk but may be vulnerable so that the conditional subsidy could consider these.

That's a pretty useful list. We'll have a bit of a look at that. But I guess if you think of any other sorts of agencies, that would be useful. I guess if you have any thoughts about how that might actually work in practice, that would be useful as well.

MS PAGE: Yes.

DR CRAIK: Thanks for that contribution and also you mentioned further on at a local area coordination model. If you could perhaps give us some reasoning on that in your submission, that would be really helpful as well. I think that's a possibly useful model for us; that'd be great.

MS PAGE: Yes. It does depend on whether you simplify the system – the local area coordination model and disability services arose out of the complexity for people with a disability. There are multiple types of assistance available, but if you're not an expert in the system it's very hard to navigate them. The NDIS obviously tries to replace that with a much more simpler approach and a more individualised approach, in which case local area coordination would become redundant, I would imagine. If we build a very strong universal platform where every child has access to early childhood education and care, you would not need local area coordination.

However, if we're going to have lots of restrictions around who gets access to which levels of subsidy, then I think having those facilitator-type roles that can help parents to navigate the system and access subsidies when they need it is important, because every additional form you have to fill out to qualify for something is another barrier for vulnerable families accessing any level of subsidy or service. And we're talking families that are in insecure housing, in and out of the workforce, chaotic lives. It's just not helpful in terms of providing those children with a safe haven where they can access a quality program.

DR CRAIK: I think you can take as guaranteed there will be some that look at some of those things, simply because the pot of money is not endless. So we do have to find a way, a most efficient way to do.

MR COPPEL: One of the ways is how you designed the taper for government support. You could envisage that there would be a higher contribution from parents, especially since you mentioned that the ECEC is so highly valued. But there seems to be a sort of reluctance to actually – for a family to fund those sorts of services. Do you think there is a case for higher-income families to have a higher out-of-pocket contribution for early childhood education and care?

MS PAGE: It depends which hat I'm wearing. I think that there are families that are paying more, there are families that are choosing - it's frustrating to us when we see the \$170-a-day eastern suburbs childcare long day-care fee quoted again and again in the media when that is an outlier of quite significant proportions. There are families choosing to pay that. There are families choosing to pay for early learning programs attached to private schools that aren't even CCR-eligible. There are some families that have taken it on themselves to invest in what they believe is high-quality early childhood programs, with little or no assistance from government. I think that's instructive. However, I think that we have to acknowledge the reality that, for parents in the middle or average-income space, it's not a matter of choice; there just isn't the money available in the household budget to pay any more for long day-care, and those families we're seeing having to make very difficult decisions about pulling

out or pulling back from working hours or using patchwork of care for their children across different arrangements and drawing heavily on grandparents and so forth. That is also instructive.

I think, really, we need to drive the social investment where it's needed most, and that might mean making some difficult decisions. The modelling is so complicated. I mean, we've been looking at the options that you've put in your draft report, and, while many families would be better off under that subsidy, there are some particular pockets where it would be really tricky; the low-income family and an area where services are above the average daily cost. Generally when the services are above the average, they're all above the average, so it's not like you can pick and choose and find a cheaper one; you'll find prices very consistent in local government areas most of the time.

MR STEEL: Canberra's a good example of that, I think. It's the highest-price jurisdiction in the country but there are pockets of disadvantage in Canberra and those families will need to be accessing the same services as everyone else and paying the same gross fees as everyone else.

MS PAGE: There, the gap between the subsidy and the fee is going to rule those families out. Getting back to the issue of if we're measuring outcomes, if the outcomes we want are (a) that children are accessing quality programs and that parents can make choices about workforce participation over the long-term, we're not achieving that if we've got pockets where families simply can't afford to access programs.

DR CRAIK: That would be the same now, wouldn't it?

MS PAGE: Yes, absolutely. That's the problem now. That's the problem with all trying to fix - - -

MR COPPEL: Thank you.

DR CRAIK: Thanks very much. Our next appearance is Julie Smith. Julie, if you could tell us your name and organisation, for the record, and then, if you'd like to make a brief opening statement, that'd be great. Thank you.

DR SMITH: Thank you for the opportunity to participate in this process. My name is Julie Smith. I'm a fellow at the Australian National University's Australian Centre on Economic Research on Health. My research over the last 25 years, since leaving the New Zealand and Australian treasuries, has been on tax and public finance policy and, more recently, on economic and market aspects of infant-feeding; breastfeeding in particular, so I'm going to range fairly widely.

DR CRAIK: I think you might be covering ground we haven't.

DR SMITH: I have actually written a paper which combines taxation of breastfeeding.

My focus will be on infancy, particularly, young toddlers, for example, and my aim is to provide relevant information from my research both on public finance and on the unpaid economy, including especially the economics of breastfeeding. I've held an Australian Research Council postdoctoral fellowship and research grant on the economics of

breastfeeding. I've also led an ARC linkage project, with several universities and the Australian Breastfeeding Association, on best-practice support for breastfeeding in workplaces and childcare. I've also, recently, been awarded a future fellowship to look at markets in mothers' milk, which includes wet-nursing, which I'm also going to raise, and donor milk and so on, which I think are relevant to some of the issues you're talking about here. I've also got three children, using childcare over the years.

I wanted to congratulate the Productivity Commission on the general approach that you're taking, certainly, the flexibility and the extension of the ambit to include nanny services, which is probably especially important for families with several children, to look at a consistent funding approach across various programs. I also endorse, in fact, a lot of what was said previously; it's sort of, like, "Yeah, what they said" - priority needs of most-vulnerable children. I also endorse, to a degree, the pricing issue, according to different ages of children, and I'll elaborate a little bit on why.

I've got a few questions about measuring the gain to the economy in this area; in particular, what are the invisible trade-offs in terms of the unpaid economy. In some of the slides that I've got there - I'll elaborate a little bit on that and how the estimations that have been done should be qualified in terms of the value to the economy. I also want to say a little bit about the activity test, along the lines of what was previously said but I'd like to focus that more on what should count as activity in that first year of life, when the care burden on the parent is very high, especially mothers.

Thirdly, I want to raise issues, including how to protect childcare quality, safety to a lesser extent - a few comments on that. I also wanted to - in that context of childcare quality, I wanted to talk about the support, or lack thereof, in childcare for optimal infant and young-child feeding, as defined by the World Health Organisation. Finally, I wanted to focus on the importance of policy integration, both in terms of workplace flexibility - paid parental leave and the funding for that in the first year of life; the income tax paid by nannies and so on. I know, when I was in the New Zealand Treasury, it was a key trade-off in that space, that funding for nannies also included that they needed to (inaudible) Australian taxpayers of some kind. I also wanted to draw parallels with the supervision tax concessions, which I've written about in the Journal of Labor Economics but, also, if we're talking about labour force objectives, some of the tax concessions that we have in the age area of retirement and trying to bring people out of retirement, to work, have some parallels here in what we're prepared to spend to provide labour force participation incentives.

Briefly, on the first of those areas, how much is the lost milk here, what's the cost of the lost milk? We have an economy which is traditionally seen in terms of GDP but the unpaid care economy is a substantial proportion of that if you value it, as a number of national accountants have. I've also taken that argument - the point here is that, if you're moving - as a policy objective, you're focusing on moving women into the paid labour force, it's not just gross gain; there is a potential loss in terms of the value of the unpaid care economy that needs to be factored in. I've looked at the economic value of human milk, for example, and the second and third slides that you should have in your little package there are from a recent publication formally presented at the Boston - USA conference of national accountants. That shows the considerable value of human-milk production in a number of countries, and it also gives an idea of the order of magnitudes we're talking about, because mothers who, in the first year of life, are in paid workforce, typically, are 10 per cent less likely to be breastfeeding, so there are some losses of economic production which are not conventionally

measured in this sort of policy area.

I'll elaborate a little bit later on the implications for reduce - maternal leisure and time stresses and how that affects the wellbeing of women. Related to that is the question of activity tests for mothers and infants.

One of the areas of research that I've done is the time use study of new mothers, and I've also done work with Lyn Craig, who's in the ABS time use survey, and we've looked particularly at the time it takes to care for an infant; just the gross amount of time, not the intensity of the time. That research, as you can see from the fourth slide in your package there - that, at three months, mothers of an infant are providing something like 47 hours of childcare a week. That device there is the device we use - the mothers coded what they were doing over a period of seven days. At three months, they're providing 47 hours a week of care; at six months, they're providing 43 hours a week of care; and, at nine months, they're providing 41 hours of care.

I haven't got the data in that table but, in the paper I did with Lyn Craig, we also looked at the time that mothers reported that they were not without the responsibility for children in that first year of life, and it's a very, very low period of time. I guess the point I'm trying to make here is - in relation to your recommendation about 12.3, I would suggest that all mothers of infants are already more than meeting the activity test in terms of economic production and that we should take that into consideration in allowing them a degree of publicly-supervised respite care, if you like, if you want to conceive it that way.

These mothers are working, they're not in leisure, and, if you really believe in what was stated in the document you produced recently about the value of the unpaid care economy, you really have to, I think, reflect that level of work in the activity test in some way. I understand the priorities involved but also, I think, it's an extremely intense period of unpaid work and it really drives the whole of that unpaid economy, sort of, area.

DR CRAIK: I don't want to rush you but we're going to - - -

DR SMITH: Okay. The third area that I wanted to touch on was the issue of childcare quality. There was a recommendation about the maximum number of children that I wanted to comment on and to discuss the implications for breastfeeding infants and toddlers in childcare. There is a problem in this area. A paper by Linda Harrison, which is one of the slides there, points out that infants in long day-care are almost twice as likely to have health problems, infectious illnesses, than children in exclusive parental care, and it was related to the number of hours they were spending in care. That relates further to the issue of infant feeding. It's very well-established by the NHMRC, the World Health Organisation, that protecting breastfeeding in childcare situations, or any situation, will result in important contributions to reduction in infectious illness, long-term chronic illness, including obesity, blood-pressure issues, diabetes, and this is something that we really need to address in childcare.

We have a policy objective within the Australian National Breastfeeding strategy regarding providing breastfeeding family childcare settings. But in terms of the National Quality system, we don't have any specific requirement for a childcare service to be credited regarding breastfeeding. We have general requirements and we have specific requirements, for example, for vaccination, but we have not specific requirement that they provide adequate

support for breastfeeding. In my view, that is not an adequate system of care if it's not enabling mothers to continue breastfeeding as recommended by the World Health Organisation and the NHMRC. That recommendation is for six months of exclusive breastfeeding, with continued breastfeeding past 12 months, past two, and beyond that as long as the mother and child desire.

Our survey of 178 childcare services revealed that, for example, while the childcare services were very positive, mostly towards support for breastfeeding in terms of delivery of that support, there was some weaknesses. In particular, staff knowledge on infant feeding and care was deficient. And for example, 89 per cent believed wrongly that it was necessary to wear gloves when handling feeding bottles of expressed breast milk. They thought this was to protect them from AIDS but it's actually to protect the milk from the germs on their hands. That's a very important deficiency in knowledge which is indicative of wider issues.

I draw that link between your recommendations about reducing FSANZ requirements, food handling requirements in childcare services. This is an area where there is very important implications about that being fully understood by staff.

I would also comment on the difficulty of getting places for part-time childcare because our research on mothers in paid work showed that full-time, part-time employment in the first year of life made a very big difference as to whether they were able to exclusively breastfeed and continue breastfeeding. So those that are able to have part-time work were able to achieve their breastfeeding intentions. Those that didn't have part-time work had difficulty.

What many reported in the childcare survey which we did was that they had difficulty getting part-time places in childcare, and that they could either take a full-time or a part-time spot. What we found when we looked at the breastfeeding rates of children in childcare was that while 52 per cent of working mothers were breastfeeding at six months, only 39 per cent of those children were in the childcare services that we looked at and were breastfed in those first six months. Likewise, of those aged six to 12 months, 34 per cent of working mothers were still breastfeeding at that age, whereas only 16 per cent of those were in formal childcare.

As I say, we got very strong feeling from our survey of childcare services that they understood and were motivated to support mothers to breastfeed, but in terms of their actual delivery of that, there's some room for improvement.

In regard to how you are setting the deemed fee for childcare services, I think there is going to be some big problems there, because it's not like in the medical system where you have got a quite specific service or procedure that's been undertaken. I can understand the logic into going to that. For example, some childcare services, and this is an issue of discrimination too, but some childcare services are charging for milk formula in their fees, even if the mother is breastfeeding. How do you encompass that in your fees? What sort of incentives do you want to create in terms of what support childcare services provide for mothers to breastfeed?

The childcare industry has also been targeted by baby food companies as a marketing mechanism and there is free supplies being provided which are prescribed by the World Health Organisation's code on infant feeding. I think that's an issue in terms of future health and wellbeing of children.

I would also throw into the mix, if employing a nanny encompasses wet nurse services, which you may think this is a bit bizarre but it's increasingly the case, for high income women in particular. How do you incorporate that in the fee, the deeming fee, because this improve the health or would improve the health of the infant? It's something you need to think about.

I have got a slide there about what our analysis showed that mothers needed to help them breastfeed in childcare and one of those was, of course, the training of staff.

There's another slide which relates to the age at which mothers return to work and have a very strong influence on the age at which non-breast milk was introduced and breastfeeding stopped. The point of this here is to lead in to the point that the relationship between flexible workplace support for mothers with young children and their workforce participation and childcare and infant feeding. Again, this survey of 62 workplaces, we had something like 304 mothers who went back to work before 12 months and they gave us some information and some statistics in terms of what helped them to maintain breastfeeding in the first six months, expressive breastfeeding. Adjusting working hours to breastfeed or to express milk, being able to take breaks, not fearing to lose their job and having written policy in their workplaces on breastfeeding.

These are all areas now that are covered by the National Sex Discrimination Act, but they are also areas that are not widely known and reinforced with employers as being important.

Just to conclude really, I think one of the things that's lacking in the report, it may be buried in the deeper pages of it, but I didn't see any area where gender equity was stated as a policy rationale. There was a statement that this is just a matter for families or should it be. Should the payment just be a matter for families to accept that that's a cost?

I think one of the reasons we provide subsidy for the childcare industry is so that women within those families can achieve equal opportunities. I would suggest that the true economic gains from increasing maternal workforce participation are likely to be small after accounting for lost unpaid household production and that we need to look at how to maximise the benefit across the whole economy.

It is noteworthy that the cost of childcare services for infants is very high. You note in your report, twice as high for the zero to two age group, and that's even where staff are caring for several babies at a time. So, this is where I think it's really important we have integrated policy for childcare services in that first year and how we deal with paid parental leave.

You talk in there about diverting the paid parental leave to childcare generally but I think that that really should be focused on, for example, providing access for mothers to have respite care in the first year. I also think it should be directed to in a sense enabling as many mothers as possible not to need to use childcare for financial reasons in that first year of life and would be better off modifying the current maternity leave scheme to make it longer to perhaps cover the first year of life. That could even be calculated at the rate of the current rate of \$2.80 an hour. You could translate that in to approximately \$130 a week for mothers to receive that for care at home in the first year of life.

I have got a table there that shows that nearly two-thirds of mothers – this is from the employees' survey, nearly two-thirds of them report being rushed or pressured and one in five found that everything is an effort. Now, these are part of an index of psychological distress, potentially post-natal depression indicators, and I think we need to think about the gender equity sort of issue in terms of women's health as well.

Finally, this is sort of leading me to the Scandinavian model of paid parental leave. They really don't subsidise childcare in the first year of life. They provide paid parental leave very generously and then they provide flexible workplaces for parents and childcare services universally. In terms of the cost, I know the instant reaction to the Scandinavian model is always, "It costs too much". But I would ask you to consider, for example, the substantial funding that we put into superannuation tax concessions, supposedly with a partial labour force participation motive, and ask if we are going to challenge spending five billion dollars on paid parental leave or on early childhood, but we're saying that that's not justifiable, why is that we can spend 35 billion dollars a year on high-income males. Many women don't get access to those tax concessions and I think we really need to think more broadly than say we can't afford paid parental leave, because clearly we can. We're continuing with that tax concession which is much more costly and much more unequal than paying even the current proposed scheme to high-income women.

Thank you.

DR CRAIK: Thanks very much. We've probably got time for a question. Just a comment: we did acknowledge the value of unpaid care but it is buried quite deep within there. But in our modelling we also acknowledged that. We have looked at first order affects and we haven't taken into account the reduction of care that some people have moved to paid care, but you're quite right. In terms of the activity test, I guess there's nothing stopping mothers putting children in care for respite but under our system there would be no subsidy and I guess the challenge for us is if we have some kind of universal access, the money has to come from somewhere. So what would we chop off what we have proposed? Do you have a view about that?

DR SMITH: Well some of them would be the same people. Some of the people that would most need respite care in that first year of life would be vulnerable children, mothers who are at the end of their tether. I believe also that we would be talking about fairly low amounts of hours and a low cost to extend it for a certain number of perhaps cumulative hours over a period of six months. As I say, I believe it would be many of the same children and it would be a low cost. But significant acknowledgment that women are working full-time, long hours, when they're caring for an infant. I would propose that you basically target it by age, rather than by income. It would have some similar effects.

DR CRAIK: Thanks.

MR COPPEL: You made the point that many parents would like part-time long day care but given the arrangements for many centres to bill by the day, this is not possible. Do you have any idea of what would need to change to make that possible?

DR SMITH: I was intrigued by the previous discussion of this issue that it's not required by the funding arrangements and it's not required by the NQF. It would seem to me it's simply

a situation where there's a shortage of care and it's been rationed. I think the solution obviously lies in increasing the supply of care and perhaps giving parents some redress. I mean, for example, arguably a breastfeeding mother that was refused a part-time place when a full-time place was available could argue that she has been indirectly discriminated against under the current Sex Discrimination Laws which explicitly protect breastfeeding, with an indirect discrimination provision. I don't know, other than moral suasion, I am not quite sure what you can do because it really is a situation that's been driven by a shortage of care and opportunities for child care. And until you get greater supply, you're not going to fix it.

DR CRAIK: Okay. Well I think we're going to have to wind up there Julie because we're running a bit behind, but thank you very much for your comments and your insight and information and we will certainly take that on board. Thank you.

We're having a one-minute break.

ADJOURNED

[11.34 am]

RESUMED

[11.36 am]

DR CRAIK: When you're ready, if you guys would like to state your name position and organisation for the record. Then if you'd like to make a brief opening statement. Thank you.

MS DAVISON: Julia Davidson, chief executive of Goodstart Early Learning.

MS GEDDES: Myra Geddes, social policy adviser, Goodstart Early Learning.

MR BARRY: Michael Barry, chief financial officer, Goodstart Early Learning.

MR CHERRY: John Cherry, advocacy manager, Goodstart Early Learning.

MS DAVISON: I'll now make a brief opening statement. From our perspective, the PC inquiry presents a once-in-a-decade opportunity to get the early years right in Australia. Investing in the early years delivers a threefold return to the nation through firstly, the opportunity to increase women's workforce participation, secondly, the opportunity to build our human capital through quality early learning in the first five years, and thirdly, through early intervention addressing vulnerability and disadvantage. No other social investment opportunity can deliver these short and long term economic and social benefits.

We would like to commend the Productivity Commission for recommending option 1 which proposes additional investment to deliver reforms that will improve children's learning and development by ensuring quality childcare is accessible and affordable. This, we believe, is essential to build Australia's productivity and global competitiveness. We would also encourage the Commission to consider the broader funding envelope of paid parental leave and family tax benefit be for partnered mothers in developing options for the final reports. We recognise that finances are constrained but believe there is a broader envelope.

By prioritising investment, we believe sustainable reform that meets the policy objectives is achievable.

In summary, we welcome the design of the Commission's preferred subsidy model, noting that with an appropriate deemed cost it has good distributional impacts for low and middle income families who are most responsive to price. We welcome additional investment for children with additional needs and we welcome ongoing funding for preschool. We do not support the recommendation for low qualification requirements for children under the age of three or the proposal of average ratios over a day or a week. Children must be safely supported at all times whilst in our centres.

Given the limited time here today, I'm going to focus on two topics: the deemed cost model and vulnerable children. I believe these are the issues that could have the biggest impact on children and families in this sector if we don't get them right. So I'll start with deemed cost. Our position has always been that subsidies linked to fees are most responsive to the actual cost that families face, which do vary considerably. Our concern with the deemed cost model is that families using care in higher cost markets will see their out-of-pocket expenses rise. As a provider, we will not be able to simply reduce fees for any services above the deemed cost. There are genuine, real and significant differences in delivery costs between centres. These include the geographical impacts of fixed costs like rent and property costs, staffing costs, the age and mix of children, the size and mix of services, and environmental factors. Critically, one thing we mustn't forget is that differences in occupancy have a major impact on costs and ultimately prices, particularly in regional and outer metropolitan areas.

Of the two mechanisms proposed by the Commission, an efficient price and a benchmark price, we prefer the benchmark price. Building up a set of accurate, efficient prices based on individual cost components and updating it would be very complex and require significant new data collection and validation. We believe it would need to be done by a new independent pricing authority at significant cost and additional regulatory burden in order to be sufficiently accurate and ensure that it maintained value over time. And that regulatory burden would also hit providers who would need to collect cost data that's not necessarily being collected at the moment. We think a benchmark price has two clear advantages: lower administrative costs for both government and providers; and secondly, that it automatically moves with changes in the actual fees that families face. We don't support starting with an efficient price and moving to a benchmark price after three years. The costs and risks of this approach outweigh the benefits and we think that a benchmark price should be supported from the start of any new payment.

What should the benchmark be? Based on our network and knowledge of the sector, we believe the deemed cost set at the median benchmark or at a lower number would leave too many families facing higher effective fees. The deemed cost should be set at a high benchmark to ensure the subsidy achieves affordability objectives for the overwhelming majority of families using standard early learning and care services operating in the current competitive market. The benchmark price should be based on fees for services that are at least meeting the National Quality Standards to ensure that the subsidy adequately funds quality.

Looking at our own network and noting the bunching of pricing identified in your direct report, we've some ideas about what might be an appropriate mechanism to determine the

benchmark. We have also been considering options for a single national benchmark or a more granular approach with different benchmarks. We look forward to discussing this with you more today and we'd also welcome the opportunity to sit down out of session and discuss some of these issues in more detail.

Then, just briefly, our second topic we wanted to touch on, vulnerable children, we are extremely pleased that the Commission has recognised the value of quality early learning for vulnerable children and we welcome the recognition that additional investment in this area would deliver strong benefits. However, we have two concerns: firstly, the tightened eligibility to access support. Some of the proposed changes will create barriers to vulnerable children accessing early learning. Secondly, funding for children with additional needs must be adequate to meet demand and should be demand-driven just like mainstream subsidies. Tighter eligibility and limited funding is inequitable but also isn't consistent with the analysis in the report which identifies that quality early learning for vulnerable children delivers the biggest return on investment. Addressing these concerns will require additional investment above the 195 million a year proposed by the Commission.

Further, under the proposed new activity test many of the services in the Goodstart network and the sector more broadly would become unviable as occupancy would collapse. If this recommendation proceeds, the disadvantaged communities program would need to be significantly expanded to provide access to vulnerable, low-income children as well as to ensure services in those SEIFA communities keep their doors open. Goodstart welcomes the opportunity to work with the Commission on these matters and to ensure that the final report will provide a reform pathway to give all Australia's children the best possible starts in life.

DR CRAIK: Thanks very much, and yes, we welcome a contribution that Goodstart can make in terms of analysis of the data because you have so many centres that certainly gives a reality check on our proposals. Before we get to the deemed cost and vulnerable children, can I just ask, you mentioned family tax benefits B and I know Myra's mentioned it a few times. So perhaps you could – what's behind the family tax benefits B?

MS GEDDES: I think the key thing is if the policy objectives are to improve women's workforce participation, we need to look at where is government investment going at the moment, where it's not driving workforce participation. So family tax benefit part B is broken into two components, one for partnered mothers. So it provides a payment for mothers who stay at home where the primary income earner earns up to \$150,000. It's essentially a payment that they only receive if they stay at home. They can do a very small amount of work before their part B starts to withdraw. So in terms of the effective marginal tax rate for those women, once you're receiving that part B, you have to be earning quite a lot of money to make up for once that withdraws. So that's a clear disincentive in the current system. Government can't do anything about personal preferences, but government can do something about removing disincentives.

So to us, that is a clear significant amount of government funding that currently doesn't meet the workforce participation objectives of encouraging women to work in the workforce. It's really important to note that it should only – well, we would encourage the Commission to only look at the part B that goes to partnered mothers because it provides a vital safety net for single parents who are on the single parent pension. In constrained fiscal environments when we're trying to look at where can we find the funding for some of these things, to us,

it's a clear opportunity that's sitting there that when you test it against the policy objectives of women's workforce participation it's hard to see how that meets that test.

DR CRAIK: Thank you. So you're suggesting take it away from partnered mothers?

MS GEDDES: I think if you test it against the workforce participation objectives and you say, "Well, it's worsening the effective marginal tax rates by creating a disincentive," and if – the Commission and government needs to look at where do you get the best return on investment, what's the return on investment in terms of workforce participation and child learning and development outcomes of providing a payment for stay-at-home partnered mothers where the father earns up to \$150,000 a year, so I think that's the question that you need to consider.

MR COPPEL: Can I come to the issue of the deemed cost and the benchmark pricing. You didn't mention anything about supposing we're in an environment where there is a deemed cost and how does that deemed cost then get updated through time. We've got a number of suggestions on a framework in which that deemed cost would be updated, including indexing to the wage growth of long day carers. Do you have any comment on that particular aspect of the deemed cost?

MS DAVISON: I think our overarching comment would be to link it to the cost drivers in the sector. Clearly one of the biggest ones of those is wages, but that's by no means the only cost driver. Our view would be that there would need to be an appropriate index that picks up all of the things that are moving; and the CPI definitely is not that. Movement in wages would in part pick it up but would not pick all of the impact of all the various cost drivers. For example, it wouldn't pick up shifts in property prices. Did you want to comment, Michael?

MR BARRY: Yes, I'd probably also add that there are upcoming changes to the sector that are specific to the sector but they're more broadly in terms of your wage cases but also harmonisation of national ratios. That's coming up in 2016 but will have a significant impact and it's obviously with change of government not a closed book on whether that goes through. But in any event, the harmonisation is a program we're moving towards. It will imply change. So to align it to a base wage or to a nominal cost doesn't pick up those kind of changes. So at the moment we've got a model that by virtue of being a median cost doesn't cover the cost of half of the sector or at least half of the providers, so it's insufficient or ineffective to start with. Then as major structural changes come through the sector in future, it becomes less effective. So I think the starting point is wrong and indexation would be a challenge if you were linking it to costs, particularly because there's no such thing as a single efficient cost. That, I guess, is the linkage between a deemed and an efficient cost is they're actually two very different things. The efficient cost for any particular provider is different to every other provider in the country. So I think the approach of a deemed cost has its flaws.

MS DAVISON: We also do believe that the market is a leveller of price, in individual markets, and that's based I suppose on our own experience in our network. Linking the deemed cost to a benchmark price does make sense and does have some element of control through the market. Also, there's the point that at which point do you actually set the benchmark price and if you set it at a point where it could provide an appropriate cap, we could avoid some of the conversation that keeps going on about the premium services and people getting back 50 per cent of very expensive costs. We think that's a bit of furphy by

the way because when we look at the number of services that charge those very high prices it's actually not very many and they're only in certain communities.

MR COPPEL: What do you mean by looking at a particular cap? This is the cap on the subsidy rate for market prices, something like we have now?

MS DAVISON: I think if you come up with a – if you went down the benchmark price model, that effectively provides a cap in terms of the cap at above which there will be no further subsidy provided. You would get between 30 and 90 per cent of the amount at which the benchmark price was actually set, because your model suggests that if the price is lower than that, that you only get a proportion of the low price. That's correct, isn't it?

DR CRAIK: If it's lower than, no.

MR COPPEL: No, you'd get the deemed. You'd get the deemed or the benchmark.

MS DAVISON: Even if your price is low?

DR CRAIK: Correct, yes.

MS DAVISON: Okay, then. We've obviously misinterpreted.

DR CRAIK: That's what it's supposed to say.

MS DAVISON: Okay. Well, then we have misinterpreted that.

DR CRAIK: We had better go back and look but that's what we thought it said. Do you have any idea if – we have chosen \$7.53 deemed possible long day care. I mean we have chosen the median cost of long day care as \$7.53. Do you have any idea when you say that's too low, given the range of long day care hourly prices, do you have any idea of what you think a better benchmark level would be?

MS DAVISON: It's a very good question. We have had a look and I will perhaps ask Michael to share with our own analysis and our own work in terms of that. We're conscious that we're talking about physical constraint, but Michael - - -

DR CRAIK: Because I think the comments you make about establishing an efficient cost have a lot of merit.

MR BARRY: I think it's fair to say with Goodstart's size and being in all states, all types of communities and different types of services, I am not breaching commercial confidences by saying ours roughly represents \$7.53 as a median cost to provide, depending on what you do and don't include, and depending on probably about three pages of disclaimers. But by and large, \$7.53 feels about right for a median cost to provide.

I guess the challenges that we look at by virtue of being median is obviously half the network is lower than that, half the network is higher. When we're trying to sell to families because that's what we have to do, we have to sell the service to families. At the end of the day we need to convince them that their out-of-pocket cost justifies either our difference to the market or a supernormal profit or a cross-subsidised loss to be able to provide that

service. That happens now by virtue of being a not-for profit. We very deliberately cross-subsidise to keep that in play.

What the new model approaches is where there are the higher cost fees that parents will be exposed to out-of-pockets and we don't have compressible costs. The way we operate at the moment is as efficient as we can be. Costs aren't the driver to charging parents exorbitant fees necessarily. It's actually revenue, so it's down to efficiency of the service and I will cover that in a moment. But let's say we've got a family that currently is receiving a large proportion of a high-value service, generally they are in higher income areas and under the new scheme would receive 30 per cent of the deemed cost of \$7.53 an hour, assuming that becomes the final number. Their out-of-pockets would go up a long way.

So the challenge for us is then how do we either cover that or reduce the supply to either suit ratios or make it more profitable in each room so that that service can be sustainable. At the other end of the scale where you've got a fee which is almost in some cases giving families a profit on the fee, there is no distance there whatsoever for providers to increase their fee to that level. So, there's no reason families wouldn't be okay with that, particularly if they were on 90 per cent. Some of our centres we have all of our families on some form of CCB, so there's definitely income tension there.

Fixed costs are a large driver of Goodstart's cost base, so on a per attendance basis, not per licensed place, but on a per attendance basis, from our cheapest to our most expensive centre, we have got a variation of \$42 per day or per attendance of just the fixed cost component. So again, trying to fit a deemed cost to that doesn't work either. At the end of the day it's about efficiency, both within the centre operations, but within the market.

I know it's outside what's being discussed as the PC but potentially there are over-supplied markets where nobody is efficient because nobody can fill a centre. And then there are also inefficient markets because they're under-supplied and there are potentially gauging of supernormal profits. I don't have examples for you today of those, but it creates a distortion in the market. At the end of the day, the market has been developed over a number of years, over a long tradition and history of years, to the point where each individual market is operating as efficiently as it can within the current framework.

MS DAVISON: Do you want to talk about the work we did on that sheet that talks about the two standard deviations.

MR BARRY: Sure. What we did is we had a look at the publicly available MyChild data, that's at mychild.gov.au, in terms of pricing. Now, I know there are data quality issues associated with that because it's self-reporting, but you would know all of those. But for what we could get, both of the Goodstart's and metadata and all other long day care providers, we have plotted on a histogram of fees charged across the country. There is a very heavy distribution down towards the lower fee end and a very, very long tail. All that was mentioned earlier. They are the \$170, you know, the headline fee providers.

We looked at the median fee, sorry the mean fee, and took two-and-a-half standard deviations from that which is a statistical norm of approaching to look at outliers. That came at about \$108 to \$110 a day, depending on a couple of statistical quirks. In our mind, at about \$110 a day if you were to cap a benchmark and I'm not saying take this as the number because you would have better access to better data but as an approach and a concept, if we

took two-and-a-half standard deviations off a market mean, that only leaves a couple of per cent, anywhere between two and three per cent of providers, where extent of discussion between them and the parents as to why they would pay there a premium, why there is a premium or why potentially there is supernormal profits in play. But I would have thought \$110 is reasonable, which then 97 to 98 per cent of the market to compete freely. And that's where you get the upside in terms of you would increase your cap to \$110 but for those providers who can supply below the current \$7.53 an hour, there would actually be market competition which would force those prices down and would keep the sector in balance.

MS DAVISON: We feel that setting it there, rather than at the median, that mitigates the risk that would otherwise be there and the risk that would otherwise be there would be that there would potentially be quite a significant impact on affordability for many families in the – not the very, very high end but the high price centres in places like inner suburbs of Sydney and Melbourne and the risk of the impact on those families, resulting in families not enrolling their children in services obviously has a workforce participation risk but also a sustainability issue to the sector in that if occupancy goes down in those markets, people like us and the other bigger operators are less likely to be setting up new services in areas that are currently areas of significant demand. I don't know if that's helpful.

DR CRAIK: So interestingly, \$11 sort of covers standard deviations of the average. That would pick up the full cost of centres meeting incorrect requirements. Is that what you're sort of aiming for?

MS GEDDES: I think that we would suggest is that you select the centres that have been assessed as meeting or exceeding the NQS standard. So, that's how you work out which centres you look at and then by mapping the price, the thing that we found is you do find this long tail at the top end. So what's happening at that top end, they either have higher costs, they're charging for premium services or they're making excessive profits. So by setting the cap at two-and-a-half standard deviations, you achieve your policy objective of addressing that mischief that's happening at that top end of the market and that's not being subsidised any further, while allowing the rest of the market and the vast majority of families using standard services, to access affordable childcare under the tapered model that you proposed.

MR BARRY: In terms of the Goodstart network, there's no significant difference in costs that deliver of our centre who either meet or are working towards it, there's no significant difference. It's down to the assessment at the time on the day but not whether it's certain fixed costs or labour volumes or those kind of things. There actually is no significant difference.

DR CRAIK: It's between meeting or working towards?

MR BARRY: Correct.

DR CRAIK: Okay.

MS DAVISON: But we're investing in - - -

MR BARRY: Corporately, we're investing a lot of money across the network to improve those standards and we would like to be way above the standard but in terms of if you took a sample, including or excluding the working towards, it would not change significantly.

MR COPPEL: In the sample that you have taken, you are going to have centres that are looking after kids also with additional needs or diagnosed disability which has an additional cost. So that calculation will be skewed upwards. What we're proposing is that the early childhood learning support for the standard kids and then a special early learning childhood support for those kids with a disadvantage. Do you have any information that provides an idea of the marginal cost of caring for a kid with a diagnosed disability, compared to a kid without one, because that would be important for our needs?

MS DAVISON: Yes, we're doing some work on that at the moment to pull something together in our submission for you on that. What we do know is that costs are not fully covered at the moment and so we do subsidise that across our network. But we also know that the level of provision that's provided is not high enough either.

What we want to do is look at what an additional subsidy might look like and it's likely that what we will be suggesting in our submission is a tiered subsidy, so not the same amount of money for all children. What we are wanting to do is come up with a suggestion as to how that might be done in as simple a way as possible, but rather than just one amount.

We do have a view that the level of fee relief for children and families in those circumstances should be a hundred per cent. So that, for very vulnerable children, that payment is a significant barrier in terms of access and we have seen that just in our own network from changes to the JET payment in recent years where we have seen the numbers of family accessing JET when the co-payment was increased. You would look at it and think well that's a very tiny increase, but for those families clearly it's had an impact. So we have a view that there needs to be a hundred per cent fee relief but that also the additional costs of providing services to those children over and above standard should be subsidised through an additional subsidy.

DR CRAIK: Michael, you just made the point that if you choose working towards or meeting to determine a fee and then you're said that you're investing in centres to bring them up to meeting the criteria, but also you sort of indicated there was no extra cost between working towards and meeting. So those two statements don't quite tally to me.

MR BARRY: It depends on the elements that we don't reach the standard for. So, if it's around meals requirement and facilities, obviously we need to invest in that and that's an out-of-pocket cost for us. But where we are meeting the facilities, we tend to have newer facilities and therefore there's an implicitly higher rent, so they kind of offset.

MS DAVISON: But what we do do and Michael probably sees it as a separate bucket but we do target our professional development and our coaching support around those centres. So in the short term within our network there's, I suppose, in terms of we just don't allocate those costs directly to the centres, so things like our - - -

MR BARRY: No. What the broader point was, I think, that we're unclear in the rest of the sector whether there is a difference in cost between meeting and working towards. In Goodstart we're aiming for all of our centres to meet or exceed NQF, but in terms of working out costs we would hate to think that the costs were capped over the sector as a whole, taking into account centres which simply were well below par.

MS DAVISON: I suppose the point is if you went for an efficient price model, then we have to recognise that there are centres and services that have not invested in professional development or lifting the quality of their standards. So I think that was Myra's point, that from an efficient price model, that you would need to take a cohort of quality centres.

DR CRAIK: One of the issues seems to be here in childcare in Australia generally that we have parents who have their children enrolled in high-cost areas that are in fact subsidising children who are enrolled in lower-cost disadvantaged areas. So parents who come along subsidising other parents is that a reality?

MR BARRY: I'd suggest that's not.

DR CRAIK: But if you're charging more in one so you can cross-subsidise in another area

MS DAVISON: If we look at the Goodstart network, the – well, firstly, I suppose there aren't many large providers. We're a large provider. If we look at our network, the majority of our centres either make an extremely small – so half of our centres make a loss and half of them make a profit. The majority of them make a very small loss or a very small surplus. And we have a few centres at one end that make a significant surplus and we have a number that make a fairly significant loss. But the bulk are broadly around the brink.

MR BARRY: I think to your point, if – so we've plotted by socioeconomic location of our centres versus the profitability or the margin. There is a very, very, very weak relationship between higher socioeconomic and lower socioeconomic, because fundamentally the cost of those changes – so even though we might be charging lower fees, we also have lower rent and the staff may be lower cost because we can pay award. Whereas if we're in the eastern suburbs of Sydney we've got to pay significantly above the award, we're paying \$2000 a square metre per – don't quote me on the number but it is an order of relativity and costs bases are significantly different. So in terms of margin by socioeconomic, it doesn't actually hold that the Cremorne are subsidising the Maryborough in Queensland or anything like that.

MR CHERRY: And for the sector more broadly, the sector is very fragmented and the majority of centres are only owned by a one or a two owner-operator. So that statement just doesn't hold for the sector as a whole. In each market they clear at their market price.

MR BARRY: Fundamentally, what drives profitability is not price charge, it's not geography, it's not even necessarily a mix of products; it's occupancy. But if we're looking for an efficient market, it comes down to occupancy. If we have full centres as in well-utilised assets, they are almost always profitable unless we're just running it wrong.

MS DAVISON: Or unless they're small.

MR BARRY: Or unless they're too small. So there are a few that are very small centres. We have one in New South Wales that is consistently at a hundred per cent, but the economics of that market just won't let us charge a fee that goes above breakeven. So there are outliers in all that, but, by and large, it's down to occupancy. If you've got a low occupancy centre, you've got your fixed costs spread across say a few children and then your ratios become inefficient - no matter what we call a deemed price or an efficient or effective price of delivery, if you've got a centre that's half-full, you will never make a profit.

MS DAVISON: And we can see that change quite suddenly with new entrants to a market.

DR CRAIK: Your occupancy?

MS DAVISON: Yes, in certain markets. So it's just an interesting comment. I don't think you make any reference to planning control.

DR CRAIK: I think we do. I think we talk briefly about the fact that the Victorian local government does do quite a bit in terms of planning. That seems to be the one state where they do actually put out some kind of information. I think we made some suggestion that it would be good if other local governments did too to make – I know the big companies can go and get it and go find it and know where to look. But when you're talking about smaller people it's more potential operators.

MR BARRY: We found an interesting trend that over the four years that Goodstart has existed we have exited some centres, not a huge number, but quite often in those centres we'll obviously try and migrate those children to our existing network to make them more efficient. Then it becomes a full-purpose premises that's taken quite often where another operator comes in, they run into financial difficulty because it's actually a market disequilibrium. It's not that we couldn't run it any better than someone else. An example in Brisbane is there were four centres in a suburb. All of them were ours. We closed one. Another operator started up and they've already gone down. Within the space of four years we came in, exited, someone else came in and they've exited. So the dynamics of supply and demand in a market are absolutely critical to gaining efficiency, not just on the cost side, but actually on the revenue side is equally important.

MS DAVISON: You've probably heard other people talk about the activity test. We obviously have concerns about what the proposed activity test does in terms of access for vulnerable children to services. But we also have concerns about what that potentially does in terms of viability of centres, in particular in disadvantaged communities. So when we look at the number of our centres that have got a high proportion of children and families who we think would not be eligible, we've got 35 centres with over 35 per cent of children who we think would sort of fall away. They wouldn't be eligible. But we also think that given the metrics – when we look at those families, that they're only – over 42,000 that it's extremely unlikely that they would be able to afford even a couple of days of early learning and care with no subsidy.

DR CRAIK: Can you give us that data in your submission?

MS GEDDES: Absolutely.

DR CRAIK: That would be useful.

MS DAVISON: We think a possible solution for that – and Wendy, I think you've heard me say this before – is to actually look at the disadvantaged community fund. When we look at the numbers around that our initial look at it is we think the amount that you're talking about in that funding bucket would only really be enough for the current budget-based services that are in indigenous communities in particular, given that they will need to bring themselves up to the National Quality Standards. We think it is a great suggestion to have a disadvantaged

communities fund. But we think it needs to be bigger. It could possibly be a block grant type funding arrangement for some of the communities I've talked about. Or, of course, the other way to look at it is to change the activity test on some of those children.

DR CRAIK: It would be interesting if you could in your submission give us some indication within your network of the number of centres that wouldn't – where you think certain children wouldn't meet – or families wouldn't meet the activity test but the number of those centres which are in communities that might meet a disadvantaged communities - - -

MS DAVISON: Yes, we will absolutely be able to do that. It's one of the things that we've been working on.

MR COPPEL: Just going back to the comments you made about cost structure, it's focusing within a centre. There are different fixed costs, depending on the age of the kid. So there are particularly higher costs for children under two years compared to children above two years.

MS DAVISON: Yes, determined by the ratio. They're driven by the ratios and the – as you know, the ratios are significantly different for different ages of children. They're also currently different across the states. So there are changes associated with that. There's obviously other costs like nappies.

MR COPPEL: Do the fees then pick up the differences in the fixed cost according to the age of the kid?

MS DAVISON: Our fees currently don't. So our fees are – I suppose they're based on – they're historical. We've come into a network that had a historical set of fees that have been set in accordance with local markets and local fees. So we currently cross-subsidise heavily across from the old age ranges to the younger age ranges. Interestingly, Goodstart provides a much higher proportion as a not-for-profit of services for under twos than we do for other children.

MR COPPEL: Just following up on that one, in terms of the waiting lists, we've heard that typically a three-year-old kid and above it's not difficult to get a place. But for an under-two-year-old kid it can be more difficult. Do you have any information on the nature of the waiting lists according to the age of the kid?

MS DAVISON: We can have a look at what we can put together in our submission for you. I think it's fair to say that Goodstart at the moment is reluctant to expand its provision in its loss-making part of its network. So we're seriously looking at options around shifting our prices in that part of our offer. If some of the things – so, for example, if the payroll tax recommendation were implemented, that would give us significant financial issues across our network. The obvious place for us to look is either to get out of under-twos or to charge a lot more for under-twos because if we were to have to pay payroll tax that would be a serious impost on us and we'd need to find ways of ensuring that our network was viable. We didn't want an ABC 2 that we don't want.

MR BARRY: I just make the comment in terms of wait lists that us and the other large providers where they've been published typically hang around 80 per cent occupancy. Flip that around, you've got 20 per cent availability in any network in any year. And I know

there's seasonal fluctuations. But at the end of the day, the wait list issue is not endemic. We've got a lot of centres that are not completely full. If you want to come at quarter past 12 today we'll take you at 6 o'clock tomorrow morning. And that's the vast majority of ours and other large provider networks. It then comes down to where we are with capable resources. So if we've got one-fifth of our network that is idle at any one – or any particular place that's idle at any one time, as a CFO, I'll take anyone because it fits the dollars - - -

MS DAVISON: Occasional care.

MR BARRY: Yes, basically. But it comes down to what the margin is and what the markets are dictating. So, yes, the birth to two to three ages are not profitable by and large. We do have a cohort of profitable centres, but they're a very difficult market to keep sustainable. By just putting our fees up let's say \$30 a day per attendance is not going to solve that because then it creates market distortions and then creates inefficiencies when our attendances go down. So it keeps feeding on itself and comes down to occupancy. What we don't want to be is a four and five year old provider because that provides no care or learning at all for the birth to three. So it's a bit of a balance.

DR CRAIK: Can I ask you about preschools, just changing the topic slightly. You have preschools in long day care and some states provide some assistance for preschool and long day care and some other states don't provide assistance for preschool and long day care. How do you guys deal with that difference?

MS DAVISON: Firstly, it took us a long time to actually work out how all of the different states operated.

DR CRAIK: You're not alone there.

MS DAVISON: And it became very clear to us that it wasn't a universal system. On the contrary, it was very different state-by-state.

DR CRAIK: A very individualistic system.

MS DAVISON: So I suppose we respond to the way each state operates. The model that we think works best is where the states fund preschool in a range of different settings. So, for example - - -

DR CRAIK: Like Victoria?

MS DAVISON: Yes, like Victoria. That has allowed us to do things like employ teachers in our services using the grants that we get from the state government to do that. It's allowed us to provide a high-quality service without increasing the price to families. In other states such as New South Wales where the states don't fund – we don't get a penny from the New South Wales Government, we funded obviously the cost of our own preschool programs and we have to pass that.

DR CRAIK: So the fees to parents are higher in New South Wales?

MS DAVISON: We don't have grants that we can use to cross-subsidise, whereas we can cross-subsidise in the other states. Then I suppose the other difference is Western Australia

and Tasmania where the provision is in the school sector. Now, the issue for us in those sectors is I suppose our most cost-effective provision for us if we're looking at it just from a profit or surplus bottom line it gets taken out. So we can't make the surplus on the older children, on the preschool children, to cross-subsidise across the network. So it does have a different impact across the – but we would have a view that a model I think where the funding follows the child - - -

DR CRAIK: Which is what we effectively proposed.

MS DAVISON: Yes, is the best model.

DR CRAIK: What's the difference in price that you would charge in a sort of roughly equivalent area in New South Wales and Victoria for preschool, what the parents would pay?

MS DAVISON: It's not quite that simple because we charge our long day care fees and (indistinct) we get.

MR CHERRY: The other complexities with preschool funding, there are two levels of preschool funding. There's the standard funding and then there's additional funding in certain SEIFA zones for low SEIFA areas.

DR CRAIK: Is that from every state?

MS DAVISON: Victoria in particular.

MR CHERRY: It's in a funding model in every state but we only receive it as a long day care centre in three states; Queensland, Victoria and South Australia. But what that means is that in a long day care centre in New South Wales, even a Goodstart centre, we don't get that funding in low SEIFA areas. So preschool in low SEIFA areas in our centres there would be significantly more expensive than it would be in Queensland or Victoria. The other problem with New South Wales is over half the children in New South Wales are actually enrolled in preschool in long day care and receive no funding from the state government. It's documented I think in your report that the New South Wales Government funds preschool per capita lower than any other state and has the lowest level of attendance of any state as well.

DR CRAIK: And West Australia which gives it pretty much through preschools, their own stand-alone preschools has the highest – roughly one of the highest attendances and also gets the least from the federal government.

MS GEDDES: It's interesting though I think that children do still access preschool in long day care and that largely reflects that their working parents need longer hours. So there's still – even where we don't receive that funding, we're still providing those services for those children.

MR CHERRY: But certainly the out-of-pocket cost for preschool in any of the long day care or sessional care in New South Wales is higher than any other state because of the level of state funding.

MR COPPEL: On the subsidy design you've commented on the deemed cost, you've commented on the activity test. Do you have any comments on the other elements of the design in relation to subsidy rate, the rate at which it applies, based on household income?

MS DAVISON: I'll just perhaps comment a little bit more on the activity test. So we've said that we're concerned that a number of children would fall by the wayside and we thought what could you do in terms of designing some sort of access. As I said, one opportunity would be to go down the disadvantaged communities route. Another would be to actually say means-tested access for certain children and families to the subsidy. And we've talked about, I suppose, a cap of \$100,000 income as being a possible way of doing that. We've also considered the healthcare card. Again, I know you've looked at that.

The other things that I suppose we're concerned about is the removal of the short-term funding for families in financial hardship situations. So we believe that if that's removed that there'll be families in situations of domestic violence, homeless families and terminally ill. So if we just look at specific examples – and we've pulled off a number of examples from our own network of families who are currently covered but who wouldn't be covered. So we think that's a critical fund. We note some of the comments around – I don't think you use the words “abusing the fund” but inappropriate use of the funds. I mean, we would prefer that those are addressed through tighter governance rather than removing access because we think there are situations where short-term relief is critical. Probably the most extreme example when we were looking at examples in our network was – and this is an extreme example – but two children whose both parents were murdered and were able to continue coming to the centre whilst everyone sorted everything else out. The same with situations where suddenly an unplanned event happens, whether it be a terminal illness or something in a rural area where everyone has to up sticks and drive halfway across the country. It allows children to continue to have some sort of stability in their lives. So we think that's important. I'm just trying to think if I've covered all the other parts.

MR BARRY: If I can jump in with another element, Julia, while you think. There's been some discussion and we've touched on it in the report on the basis of sessional billing versus hourly billing. We'd strongly favour the sessional basis or the daily basis of billing. I guess on face value it seems attractive to pay for just what you use. But ultimately our cost base is effectively uncompressible. So the revenue has to come from somewhere. So in terms of our centre – so a typical Goodstart centre will open at 6.30 am and close at 6.00, although there's millions of exceptions to that. So that's 11 and a half hours a day. We find that in the first hour of being open there is a very small uptake in demand and this is consistent across the network and anecdotally across everywhere. Then in the final half an hour of remaining open, between 5.30 and 6.00, it drops off precipitously. Through those times we obviously manage our ratios to the demand that's physically there. We're not flushed with four staff in every room just waiting for children to come. So in terms of the outside opportunity to reduce costs, it just doesn't exist.

So there's two alternatives that we'd either approach both or one of. One is if it was on an hours-used basis, our revenue would drop but our cost base wouldn't. So what we charge per hour would have to go up to cover the difference. The other one is that instead of operating 6.30 till 6.00, we'd open 7.30 till 5.30 or something like that, where it was more efficient because we weren't getting revenue but we're incurring costs anyway. So there would be either the increased rate or the compression of availability or both. Either way, those don't work, particularly for working families. That's the entire basis I think if we're

looking for efficiency, the daily or the sessional rate still holds as being efficient. The hourly is a bit of a false economy.

MS DAVISON: So we'd have to manage it – if we charged everything on an hourly rate we'd have to manage the risk. I suppose it's like a gym. You sign up for the year or you pay your casual membership so that the costs can actually be covered. So I think it's a bit of a myth for people to think that if it was all just on an hourly basis that they would only pay a tenth of the current - - -

DR CRAIK: We're going to have to wind up here.

MS DAVISON: I'll just make one final comment on the funding model. So we talked about the families that we felt should have a hundred per cent fee relief. Included in that we would see low income grandparents, foster carers, kinship carers, humanitarian entrants for the first two years and children under the child protection system. We think that to narrow it down to children who've just got a case worker is too narrow. Obviously, to have all children as being referred is too broad. What we will be doing in our submission is coming up with our suggestions around how you could identify more children.

DR CRAIK: Thank you very much. Now, apologies to the Police Federation and the Early Learning and Care Council of Australia. But could we have the Police Federation now, thanks. If I could ask you to state your name and position and organisation and if you'd like to make a brief opening statement, we'd be happy to hear from you. And again apologies for running late.

MR BURGESS: Thank you. My name is Mark Burgess. I'm the CEO of the Police Federation of Australia. I'm a sergeant of police from New South Wales Police.

MS ZIMMERMANN: My name is Bernadette Zimmermann, I'm currently the organiser with the Police Association of South Australia and previous to that a police sergeant in South Australia for 32 years.

MR BURGESS: Thank you very much for the invitation to make a statement this morning and appear this morning. Quite often the crowd leaves when the police arrives. That appears to have happened. Just some background. The Police Federation Australia represents the professional and industrial interests of over 58,000 Australian police officers. Ninety-eight per cent of those officers are members of the Police Federation of Australia. Sixteen thousand or 27 per cent of our workforce are women, well below the national average at the participation in the wider workforce. Policing requires a complete commitment 24 hours a day, seven days a week, 365 days a year. Our work is unpredictable due to the irregular hours and the risks involved. We're seeking to ensure that female police officers can continue to apply their skills, their experience and their knowledge to frontline policing on a 24/7 basis and not be forced to retreat into office-based roles where their skills and experience are not fully utilised simply because they cannot access flexible, affordable childcare. Without that access, women's participation in frontline policing roles across the country will obviously be adversely affected.

We believe that Australian communities deserve and expect frontline policing services to reflect the communities in which they live, especially as it applies to gender, given that 40 per cent of police time is taken up by attendances to domestic violence incidents which cost

the Australian community approximately \$13.6 billion per annum. It costs approximately \$150,000 to train and equip a police officer and across Australia female officers remain in policing for less time than their male counterparts. In 2008, research was conducted into part-time police officers by our New South Wales Police Association research unit. That research involved police from six of the eight police jurisdictions.

Ninety per cent of those surveyed indicated the main reason for undertaking part-time work was to provide care for children, 81 per cent indicated that they had to change their duty type when commencing part-time work to facilitate the care responsibilities, and 58 per cent indicated that their former duty type was general duties; in other words, frontline policing. So they've had to forego frontline policing for their carer's responsibilities. The same research also highlighted that 53 per cent of police surveyed identified that they were offered no options by their command other than part-time work. So due to this, we refer to the Commission's information requested 6.1 which seeks the views on impediments to employers providing flexible work arrangements for parents. We believe it would be advantageous for the Commission to actually seek the views of police employers as for those impediments. And I'm not sure that any of those have made a submission to this inquiry.

As we articulated in the dot points we provided to the Commission last week, we believe there are three key areas for police in this debate: affordability; flexibility; and accessibility. With regards to affordability, police pay a premium for childcare in order to guarantee the flexibility they need to balance their demanding non-standard work schedules with care for their children. We welcome the extension of the Commonwealth subsidies to approved nannies. However, subsidies need to be set at a level that makes the employment of nannies a realistic option for police and other shift workers. We believe that there is a case for a police-specific top-up subsidy. In fact, the same argument could be for other industries. But we wish to make the point here that we're not talking about a subsidy for 58,000 police, we're really only talking about those who fill 24/7 first-response positions such as operations and investigations. It is from these roles that we see the retreat of women to lesser-skilled office positions. It is unacceptable that women will often sacrifice their career in policing because they can't be provided with the flexible childcare that they need. We believe the police will be worse off under the deemed cost funding model proposed in the Commission's draft report. Police are often required to pay well above average costs for childcare. And we'll articulate that in some examples that we hope to provide to you in our supplementary submission we'll prepare for next week.

With regard to accessibility, police officers are very concerned that their children may be disadvantaged by not being able to access preschool programs and other early childhood education and care programs despite the COAG commitment to universal access to preschool. As earlier mentioned, the shift working model invariably leads members into making ad hoc piecemeal arrangements in a stop-gap effort to fill the void of care during and between shifts. This has a detrimental effect on access to early childhood education programs such as preschool. Instead, the often chaotic arrangements of using neighbours, friends, family and colleagues will disadvantage children's development and transition to school.

We have a pretty compelling example that we'd like to provide in a written form to the Commission. We're conscious that – and we can explain out of session, if you like, the officers involved would not like the particulars made public that might identify them. But they're quite happy to talk to the Commission out of session if they thought it was

appropriate. As I said, there's a pretty compelling argument about the difficulties of two police officer families and childcare arrangements working 24/7 operational shift work. Thank you.

DR CRAIK: Thank you; thanks very much. Can I touch on, firstly, the issue about flexibility in work arrangements? We dealt with it, to some extent, in our report, not a great deal but that is also an important point of the flexibility arrangements, not just in the childcare area. In terms of police forces, do police forces provide for flexible work arrangements? I guess I'd be interested in your views. Some people have suggested to us that, under the Fair Work Act, flexibility of work arrangements, you can ask for it, it can be knocked back but that's the only provision in the Fair Work Act which is not appellable.

MR BURGESS: Interestingly for us, and Bernie can answer the bulk of the question, but there are only two police jurisdictions actually covered by the Fair Work Act because the rest of our members are state employees; there are only the Victorians and the federal police that are covered by the Fair Work Act. The rest are covered by respective states.

MS ZIMMERMAN: Nevertheless, it's still fairly similar in the way it operates in the states. All jurisdictions offer the part-time option or flexible work arrangements but I guess what we're trying to say is that these are police forces that do have to put out people 24/7, so, whilst we're often at loggerheads with employers about women's access to part-time, we certainly are, in industrial commissions around the country, over this issue, regularly, in the defence of the police commissioners, at the end of the day, there are only so many people who can actually access part-time, given the nature of our work. That is where the unfortunate situation arises for women, who generally will only be able to contribute - we think it's pretty important; it is the guts of police in this frontline work - for that period before they actually start a family, and then they tend to retreat.

DR CRAIK: Interestingly, I remember once hearing Christine Nixon talk, saying, when she became Commissioner of Victoria Police, that any supervisor who refused a flexible work request had to explain to her why they'd refused it, and the number of approvals for flexible work requests - she didn't have many people come to see her because they were largely approved, because it started at the top.

MS ZIMMERMAN: That's right. That was her personal approach.

MR BURGESS: It put pressure on commanders. As I said - we said 53 per cent of those in our survey, which covered six of the eight jurisdictions, said that the difficulty actually was with the command.

DR CRAIK: Yes. I guess I'm saying, do you see any value in having provision, even if it's through the states or federally, requests for having flexible work are appellable? Is that going to help or is that not going to help?

MR BURGESS: Absolutely.

MS ZIMMERMAN: Absolutely.

MR BURGESS: And, of course, as we suggested, it would be beneficial, I think, for the Productivity Commission to talk to police employers.

DR CRAIK: I don't believe we've had any submissions from them.

MS ZIMMERMAN: No.

DR CRAIK: Okay. Thanks.

MR COPPEL: In some sectors, like the mining sector and, we also heard, the banking sector, the employers are actually putting in place measures that do improve the flexibility to be able to balance work and caring for kids. Do similar arrangements function within the police sector and is there anything that would be blocking such arrangements being put in place?

MR BURGESS: I suppose part of the issue for us is that we have members who work in the centre of Sydney, Melbourne, Adelaide, Canberra, to the most remote community that you can find in this country, so it is difficult, we're not arguing that it's not. Whilst it might be easy to set up some type of flexible arrangements in a police headquarters or a large police station with several hundred staff, when you start to move into more regional and remote sort of areas, where there are less and less staff, it does become more difficult, without a doubt.

MR COPPEL: I had in mind financial measures. You mentioned the police top-up subsidy. Why wouldn't that be something that the police force themselves would be able to fund, in a system which had the sort of arrangement which we're proposing here?

MR BURGESS: It would be a very nice recommendation from the Commission; we'd be very happy to take that.

MS ZIMMERMAN: They will say they have no funding for that. Everyone is tightening up. Over the years, we've made submissions, through the PFA to the Commissioners, for the in-house-style - when new buildings would be built or bought by police departments, that they would look at having a childcare floor. With all the accreditation and all those other problems with it, it's never really been looked at seriously. They've run different programs here, in their police academies, during school holidays, but it still isn't - we sort of are trying to put, I guess, to the Commission that we think we have a special case, in particular, for trying to get women officers back into that core function of police-in-post, starting a family, where they're just not having that option now and a lot of them will actually retire or resign. We have got a report we were happy to pass on to you for your interest. It's 143 pages long but it was the survey that Mark talked about. Within, there are some really cutting comments in relation to how difficult it is for women to keep working.

DR CRAIK: That would be really useful.

MS ZIMMERMAN: Yes. There is a condensed version, to eight pages, which I can give you. I've got some comments here, if you were interested in hearing just how it affects officers and their families, with children.

I think the other thing too that we really wanted to highlight was that, whilst they're not able to do this, those that have to, because of their financial needs, et cetera, organise this terribly - this is reasonably common with their childcare, in that there's a passover of children all over the place. There certainly isn't the access to preschool, the structured 15 hours a

week of preschool that most Australian children have access to. We've got members that are half dozing on sofas while they've got children, trying to engage in some sort of activity while they're waiting for someone to take over, before they can actually go to bed. This is reasonably common.

The other half of our submission was not just about the participation of women back into frontline but it was also about - we do believe that a lot of police families' children are disadvantaged in that early part of their education, which definitely, of course, as you would know, has that flow-on effect into their transition to school. A lot of it is around just not being able to access that sort of childcare, which would be in-home nannies, which is the most ideal for police members working all over the shop, with hours and extended-hours rostering, so some are doing 10 and 12-hour shifts. Then there is the overtime, which is common, court attendance, changing shifts. It just has an effect on children at the end of the day.

MR BURGESS: They're the things that, I think, people don't realise. We've had many discussions with many other groups about this. When police officers go to work in an operational sense, there is no guarantee that they're going to knock off at 3 o'clock this afternoon and be able to go home and, in fact, in many cases, that's not the case, so the childcare arrangements become somewhat problematic, or you could be working in a detectives' office where you're required to be on-call at any sort of time of the day or night to go out to major incidents that occur. If you've got childcare responsibility, that's very, very difficult, to be able to maintain those sorts of roles.

What we've been trying to pursue is actually, as I said, trying to allow our members to have full access, who utilise all of their skills and experience on a 24-hours seven-days-a-week basis and not have to forgo their own careers. Quite often, and Bernadette will tell you, that happens with those women; they have to find roles within policing where they're really not using their skills and experience, they're not using that \$150,000-odd-plus that the community spent on their training because we're having to domicile them in areas where it only - because it suits their child-minding, because we can't find any other way to get around it.

DR CRAIK: Did you guys participate in the flexibility trials? You were part of that, weren't you?

MR BURGESS: Yes, we are. We're really interested in seeing the Institute of Families Studies' report. We've been liaising with them quite frequently. What happened - and, in fact, in the example from Victoria, which we'll provide you, it probably gives you a pretty interesting understanding of the difficulties that police found with that arrangement, for a whole range of reasons. It was probably far more rigid than we realised it would be. They weren't always able to - and this is by no means a criticism of Family Day Care or anything like that. They weren't always able to provide the number of carers and, in fact, the case we talk about, I think, they went through about five carers - - -

MS ZIMMERMAN: Different carers to cover the different shifts, which was not the intent of it at the start of setting it up.

MR BURGESS: Then, when you might require them more, such as public holidays and Christmas time, et cetera, of course, the carers will want to go on holidays but the cops can't.

So, all of those - and then, of course, the real issue was, as many of our members said to us, "I actually know the carer and I'm happy at this stage to allow my child to go to their home, but who else might be in that home?" You can understand, from a police officer's perspective, who deals with a lot of those sort of things, the suspicion that was aroused was pretty significant. We're still involved in the trials but it hasn't been as successful as we would have liked to have seen it.

DR CRAIK: Okay. Just one more question, do you think the nannies' option will be useful for police?

MS ZIMMERMAN: Yes, definitely. Some families already use that but often it would be a family member who's doing that sort of care, living over for that period of time, but it's not sustainable, with what Mark has just said about those sorts of concerns that police will have because of the things that they do in their working hours and they come away with. It also covers that coming-and-going because a lot of families are working - one may be on dayshift, one may not be; so there's the coming-and-going. To have that sort of option is the most ideal and it's just easier, I guess, for women who are still doing the bulk of the care, and it's probably not different anywhere else, to know that your children are not being disrupted by moving around from this place to that place; the in-home care, with one or maybe two different teachers or whatever they may be, just makes it so much easier. In the end, it's an incentive to actually come back to that type of work, as opposed to simply saying, "This is way too hard, I cannot do this and, therefore, I will retreat or I will resign," which is a loss.

That's why we also sort of use that example of police work being around domestic violence - the bulk of our work is about that and it is so important for all police forces, really, to have that - we're only running at 25/27 per cent women anyway - most of those are not on frontline duties, so you can imagine what it looks like generally when they're knocking on those doors in answer to all those calls that come in every year, and we think that the community also - there's something in it for the community; we're not just looking at - the sole purpose of getting women back into frontline - there is a reason for that, and that is a community-based reason that, I think, is proper; that is what the community deserves. They've paid for it already once in the training and it's proper that they then have access to it when they're in times of need.

MR BURGESS: As a male police officer, I could probably give you a million examples of how many times I've gone to an incident where having a female partner at the incident has actually defused the situation, as opposed to two males. I certainly can say, in respect of a lot of domestic violence incidents, it is very important. I'm sure the women in domestic violence incidents would be very pleased to see a male and a female officer turn up to their door, rather than two bulky males, et cetera.

DR CRAIK: You made a comment about preschool programs. Do you have any suggestion? Preschool runs certain hours and there's nothing much you can do about that.

MS ZIMMERMAN: That's, I guess, where the in-home care - - -

DR CRAIK: They could take them to the preschool and bring them back.

MS ZIMMERMAN: They can do that, or, if they've got the qualification of a Certificate III, I think it is, that's required to be a nanny, in the proposal, there may be - some of that can

possibly be done - some of it can be done in-home. It's not as good as doing it with other children but at least it's still an option. That's where that option is good for women; they're not running around fatigued, finishing nightshift and trying to do those - and then heading back; it's just dangerous and it doesn't happen - - -

MR BURGESS: We've identified this as a key area of research. It's actually something we'd like to do from a national perspective, to have a look at what the situation is across the country, because at the moment it's probably a bit anecdotal for us. There's probably an academic partner out there that'd be looking for something to do - to do some work with us down the track about that.

DR CRAIK: Okay. That's been great; thank you very much. That's very helpful. If you can send us the survey, that'd be really good.

MS ZIMMERMAN: I will do.

MR BURGESS: Much appreciated. Thank you.

DR CRAIK: Once you're settled, if you'd like to state your names and organisation and if you'd like to make a brief opening statement. I can't help but observe that you're the first time we've had a totally male presentation in this Inquiry.

MR HARDWICK: Thank you, Commissioners. At the table today are myself, Tom Hardwick, from Guardian Early Learning Group, Bernie Nott from Early Childhood Management Services in Victoria, and also James Lantry, at the end of the table, who is the executive for the Early Learning and Care Council of Australia. Bernie and I are the co-chairs of that organisation, which was established by a number of large multisite providers and the for-profit and non-profit sectors. Across our membership are about 10 groups that are formal members of the council. We would operate 1200 centres across the country; I have provided you with a list of the names of those organisations - I won't read them all out now.

While a number of our members have made individual appearances before the Commission and made their own submissions, the purpose of our appearance today is to provide the Commission with our consensus view on a number of areas where we disagree with the draft recommendations. There are many areas of agreement. But in the timeframe available we thought the most relevant thing to do was sort of highlight some of the areas of concern to the members of the council. I will touch briefly on some of the issues on the deemed cost model and Bernie will talk more about the issue of removing diplomas from the care of nought to three, or the recommendation to remove diplomas. We have a number of other issues and we'll deal with those either in the submission or in questions that follow.

We think the deemed cost model as the basis for setting the benchmark for the ECLS has some significant issues. I think, first of all, where do you access reliable cost data? Secondly, the costs do vary and there's a whole range of different variances, some of which Goodstart spoke about it and I know others have as well. But clearly wage rates, yes, there are award rates of pay, but different centres pay different premiums above award. In my own organisation we probably have 40 per cent of our staff above award rates of pay, often driven by location, but also skills and the need to get the right people into the right centres.

Payroll tax. The actual impact on the business of payroll tax varies enormously. Some operators have no payroll tax. Some only pay payroll tax above the threshold and the larger operators pay pretty much full payroll tax on their entire wages bill, which when your wages are 50 to 60 per cent of revenue it's a number large number of payroll tax for the larger operators.

Overhead. Large operators have overhead. How do you allocate the cost of that which is going towards the efficient management of centres? How do you allocate that into a cost model? And then look at a private operator, maybe a husband and wife who spend hours on weekends maintaining the facility, doing the paperwork. That work is not costed. How do you factor that into a cost model? Land tax. Some states you have to pay land tax, some states you don't. Rents vary enormously, as we've heard. Some centres provide food and nappies, some don't. Different age groups. It was flagged before the children with special needs aren't fully funded at the moment. So the more of those that you have the higher your costs model; occupancy, size of centre.

So we think it's a very difficult challenge to try to come up with a cost model that's reflective of the sector without creating an incredibly complex system. Cost also doesn't reflect the fees that are being charged to parents. Parents understand the fee and what they're paying. I think something pegged to that is a simpler, more easily understood concept. We were also concerned around using a 25th percentile. It's a very low common denominator. So you can set a higher common denominator and a lower percentage or you can have a lower common denominator and a higher percentage. But I think 75 per cent of centres above that number is obviously just going to disadvantage parents.

I have to be careful of language and it's quite complicated, this area. But I've been ushered down the path of benchmark price. By that I think what we feel is if we look at what are the actual fees being charged today and taking some form of average or median of those fees and using that to peg the new ECLS, clearly the outliers need to be excluded. You've got MyChild and other government resources where fee information is readily available. So at least it's available. If you assume it's a reasonably competitive market, which from our experience it tends to be, then the fee is a reasonable estimate of the operating cost in some margin in those locations.

I tend to agree with the comment that was made before. The actual cost of running a centre, whether it's working towards or meeting, probably, in hindsight, doesn't really vary materially. It may a little bit but I don't think materially. If we can set that benchmark fee based on what's actually currently happening, there should be a means of determining an escalation factor. Whether it's wages are 50, 60 per cent – there's a national wage case that goes through every year that increases that base rate. Rents go up by sort of – most leases it'd be sort of fixed rents of somewhere between three and four per cent. And the other costs typically by CPI. So it wouldn't be too hard to put a basket together that picked up those sort of three elements.

Clearly structural elements need to be factored. If, for example, Fair Work decides to increase the rates of pay of people in the sector, how would that be dealt with, because that would be passed on to families and that would need to be picked up. But I don't think coming up with some form of escalation factor should be overly difficult to calculate. I think some variations or allowance needs to be made for the fact of different geographies. Is it a state-based system? Clearly New South Wales and Victoria are more expensive or have

higher fees than Tasmania and South Australia. So do they get more? But then if you look at Victoria or Sydney or any state, really within the first sort of 10, 15 kilometres of the CBD the cost there is going to be a lot higher than say in those outer new home sort of – we call them the nappy valley suburbs, but in those growing estates the fees are a lot lower. Then contrast that to regional cities and then remote. So there needs, I think, to be some allowance for that different geography. Whether it's based on state and then subregions within state or whether it's inner urban across the country and then sort of outer urban, I think some work would need to be done in that area.

Different age groups. I think the reason why there is cross-subsidisation today is the government funding model doesn't encourage us to charge the true fees to the right people. So if you wish to remove cross-subsidisation, then if the funding model or the ECLS reflects that, then it's easier for us to move in that direction. I spent a lot of time when they first brought in the new ratios concerned about the cross-subsidisation. But the fee impact for families with children under three in Victoria, for example, was just too massive to pass on to them. So if the funding model is structured around that aspect, then I'm sure the sector would move down that path.

It is a challenge to retain three and four year olds in Canberra, for example. There's free kindergarten in other states. There are cheaper options. So if we could lower the fees for the older children, that would help us retain them and then that wouldn't be a bad thing. I think different service types – clearly the cost of operating a long day care centre is very different to having a nanny in your house or family day or OSCH or whatever. So clearly that needs to be picked up in whatever that benchmark fee is going to be. We feel that a loading ought to be preserved for families with multiple children in care. Clearly if you've got two or three children in care, the proportion of your salary going out the door to the childcare fees or to any type of care is significant. Currently the system allows for that and I'm not sure the reason why you're seeking to remove it. But we feel that if you wish to encourage people back to work and not have that sort of – the marginal cost impact, then people with more children in care than one probably need a bit of extra help.

Whether a hundred hours a fortnight is the right number. Typically most centres would be open 11 hours a day. We're criticised for not being opened long enough. So if you assume we're open 11 hours a day and if you want someone to access – to get the funding for full-time care, then five 11s are 55 and that's 110 rather than a hundred. I just make that comment. Only about 20 per cent of the sector is full-time care these days. But if return to work is an issue, then maybe 110 might be a better number than a hundred.

Just finally, to the extent this report is about reducing red tape in the sector, then if the means in which operators can connect with the government electronically – we all have to run proprietary software systems at the moment that we have to buy from other operators because of the complexity of the funding model and the dual funding stream. To the extent that could be simplified so that we can build that into our accounting systems and do our own invoicing and our own interactions with the government, that would, I think, be something that would help operators, not all. So that was my couple of points on the deemed cost. Bernie is going to talk more on the diploma issue on behalf of the council. Thank you.

MR NOTT: I think where the council I guess is certainly in total agreement is around embracing the National Quality Framework. It was good to see that the Commission reinforced that. The quality framework in principle in this report – and I guess we're

absolutely – all the network members are very committed to the standards and qualification requirements that are embedded in the National Quality Framework and have worked hard to embed those in our services. So we're quite concerned around any recommendations that might relax staff educator ratio requirements or reduce qualification requirements for educators caring for children under 36 months.

I guess our concern is across three different levels. When we look at the Commission's sort of terms of reference and objectives around workforce participation and child development in particular, we see that those recommendations would be counterproductive to those particular objectives. So when we look at I guess the area of child development – and I know there's more learned people than me that have spoken at length around this area. But certainly when we accept that those years are the years when brain development is at its most active and most fertile and most important – and if we accept also that child learning builds on previous learning of those first three years, sets the foundations for preschool and then primary and further life education.

I think one of the things that we do acknowledge I guess is that some of the drivers of quality in our sector are staffing rations and staff qualifications. That's a given. That was a strong driver behind the establishing of the quality framework and the ratio requirements we now have. So we'd be very concerned from a point of view of impact on child development of any recommendations that water down the qualifications for under threes. From a point of view of workforce participation, I think we can't underestimate the impact of parent confidence in our system of education and care. So that's paramount to parents making decisions around going back to work. They must have confidence in the service system not just from a point of view of safety but also their child's development. We know from our own interactions with parents and our parent surveys that parents are also deeply concerned around reducing staff qualification requirements and ratios that might impact in those under-three years.

Then we look at it from a lens of for us of service providers. You are working with an embraced quality of standards that we are all aspiring to meet and exceed. I guess we can – so those standards will still sit with us beyond the recommendation, if it's implemented, to reduce the qualification requirements. So that would present a risk for us as providers around maintaining and improving our service quality. So I guess there's serious decisions around us as service providers of whether we would be comfortable in actually implementing any recommended reduction in staff qualification requirements in under-three.

So they're three areas of focus that we've got and concern around those particular recommendations. We'd urge the Commission to stay with the path that we've set around the National Quality Framework around the current educator requirements and the future ratio changes that are in the pipeline for the system going forward because we think it's critical for child development and workforce participation. So they were the two key areas, I guess, that we will focus on in our submission. We'll touch on a number of other areas, including preschools and children with additional needs and vulnerable children, the introduction of nannies into the system and the tax exemptions that are being proposed, but they were the two we thought we'd give some attention to today.

DR CRAIK: Thanks very much. Just on that issue of qualifications, you said that parents want to have confidence in the quality of the childcare that they're getting. On the other hand, you said if we made a recommendation and if the government happened to accept it

about quality and if the standards were changed to have a lower standard of qualifications, if you chose to maintain that higher standard of qualifications, that would be a risk to your – potential risk to your services and your model. But if the parents rate quality so highly, one would assume that the parents would be happy to pay to retain that quality, if it's true that parents do. We had a lot of submissions from parents saying, and it's not all submissions by a long shot.

MR NOTT: Sure.

DR CRAIK: A lot said quality was really critical and they've made comments about the level of qualifications. But a lot said their main priority was safe and caring for their children. I guess I would just be interested in that comment.

MR NOTT: I think when we look at what we are trying to achieve in terms of the services we are providing for children under three, safety is absolutely critical, as is the responsibility we have for child learning and educational outcomes that lay the foundation for future life. They're both critical and I think from what we hear from parents they're both top of line for them. That's not to say that parent decisions around where they put their income in terms of returning back to work aren't complex decisions that they make. There's obviously trade-offs that parents will make when they make those decisions.

MR HARDWICK: I think if you go back twenty, thirty years, let's take the 1990s when the government funding was first extended to this sector, to the private sector at least, it was very much a care model. Every state system had regulations that required us to have diploma-trained staff with children. The suggestion today is taking us back more than 30 or 40 years when we were in an environment which was purely a care model. I think the system has been built around, and most systems around the world are built around – for the safety and care of children.

You need some qualified and experienced people. It's not purely about early years development and education. We sat around a table the other day with every one of these operators, including a number of large for-profit private operators, not one of which would adopt an environment where you would have no diploma-trained staff for children under three. You just couldn't take the risk. One, we have statutory obligations to provide a safe environment for children, and to think that you could have someone with a six-month piece of paper, many of whom go through Mickey Mouse training colleges and comes out. You know, it's not a real piece of paper.

You're also suggesting that there might be this sort of probation or start-up period of three to six months before you have to start your Cert III. To put the young children of Australia in that sort of environment, I just think is lunacy. I haven't heard one operator in your sector who would stand to benefit from the lower costs that you're proposing. I haven't heard one operator come forward and say that's a great idea. So that's the sector itself who probably stand to gain from it.

I feel very strongly, as all of the members of our group do, that this is a very regressive recommendation and while it might be driven by cost and government funding, I think there's a much broader picture here that needs to be addressed.

DR CRAIK: Okay, thanks.

MR COPPEL: With the current funding model or subsidy support model, taking CCR for example, which is a fraction of the market cost of providing care, for that system to be financially sustainable there needs to be a cap proposed then. At the moment it's seven-and-a-half thousand dollars. You find yourself in the situation when you're close to that level that the incentive to work additional hours becomes a very strong barrier because you will be moving from a situation where you've got 50 per cent support and then it suddenly drops to zero per cent. In our design of the deemed cost, we don't have that cap because effectively up to the first hundred hours there are no cliffs, essentially, in the rate in which the support cuts in and cuts out, which we saw as one of the particular advantages of moving to a deemed cost approach.

If you were maintaining the existing arrangement which is based on a percentage of market cost of care, how would you be able to design it in such a way that it would be fiscally sustainable on the one hand and able to avoid these cliffs in strong disincentives to workforce participation beyond certain hours?

MR HARDWICK: I would say that our experience has been with the current rebate that, one, the problem is not massive today in that there is a lot of people hitting the rebate cap and then ceasing care. What we find is that some people hit it in around March or April and they've got two months of grumbling about having to pay full fees. I don't necessarily think they pull their children out of care during that period. I am sort of just talking – you know, our occupancy doesn't fall off the cliff in March or April because of an excess. Clearly in the future it will become more of an issue. So I don't know if the cliff is that great today, to be honest. Probably the people who are hitting it are probably people who can afford two or three months at full fees anyway.

MR COPPEL: You may have a number of people that are choosing three days a week because if they went to four they would get that period.

MR HARDWICK: Yes, sure. That's quite possible, but I wonder if they're choosing three or four days a week because to work full time and have young children is pretty hard and if you can work three or four days a week, that's probably what people want to do, rather than – you know, when I started in 1997, 80 per cent of our enrolments were full-time. Today 20 per cent are full-time. So, it's dropped from 80 to 20 per cent in that period, because of flexible work and the pace of life. Every time my wife worked full time, just the stress in our family was crazy. When she was working three or four days it was far more manageable. I think there's a range of reasons why people choose to work three or four days a week. If they worked full time it would be great because it would help us fill our Mondays and Fridays.

In terms of this sort of uncapped exposure that exists today that operators can put their fees up, whatever, and effectively the government pays half of it. I think what we're saying is – we're saying set the benchmark today based on average fees rather than costs because we think average fees is easy to understand. The information is there and it's the reality of what's happening today, as opposed to a complex cost model with all the variations.

In terms then of how does the support escalate each year, well what we said was maybe there's some form of indexation factor that's not linked to what do average fees go up by but rather what do the costs go up by. That might be something that links – you know, if you're worried about operator behaviour and this kind of incentive that's there to just put your fees

up by whatever, well we're saying well fine. We will put in a different escalation factor for the subsidy. If operators want to put their fees up more than that, then let them do that, but their families won't be getting government help for the premium above costs that the fees are going up.

DR CRAIK: Just going back to qualifications. We were given last week or the week before a report of a big study from the UK where an organisation called The Graduate Leader Foundation spent something like 300 million pounds looking at the impact of qualifications on early childhood learning and they found that for preschool there was a very positive impact of qualifications but for less than three years there was very little impact, which sort of raises the question about this whole issue of qualifications. I guess what we're trying to do is look at what the evidence says. The reason that we made the recommendation wasn't, as it's commonly believed, for cost reasons. That's a consequence.

MR HARDWICK: Sure.

DR CRAIK: It was actually on the basis of the research and if you look at COAG's regulatory impact statement it says the precise impact of qualifications is unclear. It's very difficult to find research that says this level of qualification leads to better outcomes than this level of qualification. I guess that's the reason we raised it. It's not some kind of ideological thing that we're trying to throw money at.

MR NOTT: Sure. Yes, I take your point and I guess I would add to it in the context of in the UK itself their government has made a decision to extend universal access to children as young as two, based on its understandings of the impact of quality early learning for children in those years, particularly vulnerable children. So I think there are multiple areas of research to look at, but I think when we put some logic to what we're trying to achieve here, I think it paints a pretty compelling picture around where we need to make the investment and will get the greatest return if we do make that investment in those early years.

MR HARDWICK: We're not the academics but I glean the academic literature and my experience tends to suggest that there's more research suggesting that qualifications and ratios have the greatest impact on quality than almost any other factor. That was, I think, largely the driving force of behind the development of the NQF, which was put together over several years by the leading early childhood experts in the country. I kind of wonder, with all due respect, what rights you have after six months to sort of challenge those people and their underpinnings. Yes, there might be some research that is contrary but I would think just from – you know, as I said, I am not the academic, but just from a stand-back scan of it all, that there's more research in favour than against.

DR CRAIK: Well we would like to see the research in favour.

MR HARDWICK: Okay.

DR CRAIK: We have yet to see a piece of research. I think this is a fair comment. We have yet to see a piece of research that says this level of qualification gives a better outcome than this level of qualification. So I think our analysis – I mean we came into this thing agnostic as to where we're going to end up and from our point of view we make recommendations to the government. We don't advocate for them once they're there. It's up to the government what they do. So there's kind of no mileage in it for us to be pushing a

particular line and most of the people here are reasonably highly educated, so they do value education and qualifications. I guess in response I would say we try to examine the research from the sort of, “Well, what does it actually show”. I guess the comment that the Council of Australian Governments in accepting funding for national partnership for the National Quality Framework, actually in their regulatory impact statement that was their comment that there is no evidence that suggests that, no, it’s uncertain what the impact of qualifications is.

MR HARDWICK: The academics of Australia have got a challenge, don’t they?

DR CRAIK: They do.

MR HARDWICK: If you just put that to one side. You’re in a centre and a child has an anaphylactic reaction and is lying on a floor, life and death; do you really want a Cert III or someone with three months without any experience, the only people in the room to make the decision, an asthma attack, someone falls over and splits an artery, like we won’t do it. We will have the diplomas. We have more diplomas in the current ratios. One, because of the quality experience, but from a safety point of view, you just couldn’t do it. Why for the last 30 or 40 years has every state government required diplomas in rooms, particularly for young children? I take the point on the education and I can’t believe the academics of Australia have let us down and not convinced you of that yet. You’ve set a challenge for them. But in terms of just the safety and the day-to-day practicality of these environments, I think it’s a great danger to the children of Australia to suggest that they could operate without diplomas, and a great injustice to all the young women who have gone and got diplomas, who get paid \$21 an hour, to spend eight hours a day on their feet with children to say that that qualification is not worth anything. We should move on because I am getting emotional.

DR CRAIK: I am not sure we’re saying that at all.

MR HARDWICK: Well, by implication you are. You’re saying that children under the age of three don’t need a diploma-qualified staff member in the room.

DR CRAIK: No, I don’t think we’re saying that at all.

MR COPPEL: We’re saying at least.

MR HARDWICK: Sorry?

DR CRAIK: We said at least.

MR COPPEL: We’re saying at least a Certificate III, which does include first aid.

MR HARDWICK: Yes, but you’re not saying they need a diploma.

DR CRAIK: No, we’re saying they need at least a Certificate III.

MR HARDWICK: Okay.

DR CRAIK: Anyway, you know what we’re looking for.

MR HARDWICK: Sure.

DR CRAIK: This is one of the other areas that you didn't raise but you probably will raise in your submission. Special needs and vulnerable children funding. We would be interested in your particular views on that.

MR NOTT: I think we welcome some of the recommendations around special needs and vulnerable children, but we think probably there's an opportunity lost in this particular space. We think that the funding model for those children in our nation should be demand-driven, not capped, because we owe it to the most vulnerable and disadvantaged to do that.

We also think there's opportunities to look at how we create incentives for service providers, great incentives for service providers to embrace and include children with additional needs and vulnerable at-risk children. But not only just include them but sustain their involvement and participation in services. There's multiple hoops that we go through in terms of sustaining – at the moment the special childcare benefit application processes and reapplication processes and I think your own statistics suggested that in the main children on special childcare benefit don't sustain their participation services beyond 13 weeks. I think that's a travesty, I guess, because I think we need to look at how we turn that around and create incentives to embrace and support them in services longer term whilst we work through the complex needs and support structures that go with supporting children of that nature. We will make some comments about that in our submission.

DR CRAIK: Certainly if you can suggest any incentives, that would be good. The more we can deal with this through an incentive-based system as opposed to some other system, the better.

MR HARDWICK: Just on the special needs funding, the question came up before that the area that we see – and across our membership there are a number of members who have a great deal of experience with vulnerable children. Obviously that's quite a – with the funding it's quite a complex area. In terms of the children with special needs, which we all experience, the key problem at the moment seems to be that (1) the whole assessment process can take a long time to get the child assessed and sometimes it's the parent not wanting the child to be assessed and sometimes then it's the government process. Then if you get funding, it's typically – and this is probably a bit of a generalisation. But typically you get five hours of funding for the child to have some extra help in the room. So typically what would happen is – and it's normally at about 13 or 14 dollars an hour. I don't know exactly the right number, but hopefully your researches will know that. Typically what we do is we put on a Certificate III who gets paid 18 or 19 dollars an hour. So we're not getting the full cost there. Then the parent typically, if they're working, will put the child in for seven or eight or nine hours a day. So there's a mismatch between the funding that we get and the cost of providing that service.

But then really the issue is, if we can get some people with actual skills as more of an intervention rather than just having one extra person in the room to either follow this child around from stopping the child hitting someone on the head or biting someone – like it's a very basic kind of rudimentary system that works – as opposed to saying, “If we're going to put money into this sector and do it properly, what are the skills that people that get engaged to provide the intervention? What do they have?” because I think there's some research – maybe I'm not right. But I think there's some research that says if you can intervene with

some of these kids with their special needs or special rights at an early stage, that it can have a very positive impact.

DR CRAIK: We would agree totally.

MR HARDWICK: But at the moment it's a rudimentary that you grab another Cert III and throw her in the room. I think it's a complex area that needs a bit more thought. Like a lot of this, it's really – we as operators see some very good things coming here and some things where we're a bit concerned about. It's how do we get that level of detailed engagement, because it's really in the detail that happens day-to-day in these centres. That's I suppose hard in this sort timeframe to get that. But hopefully going forward that there's a forum for that to be achieved.

DR CRAIK: One of the things that's been suggested to us is the value of having more staff trained in dealing with children with additional needs, more staff across the sector generally, as opposed to kind of bringing in an extra pair of hands, but having provision for more training. Does that ring true to you?

MR NOTT: Yes, it does. We would argue that strengthening the universal platform is the best way to tackle disadvantage and also supporting children and families with additional needs. So anything we can do to build the capacity and capabilities of our universal service platform will have flow-on effects to tertiary and secondary service systems as well. So we're particularly keen – and there's a number of providers in our network who do a lot of work around capacity-building for that particular purpose. That's where I think there's enormous opportunity to realise benefits for children but also productivity gains that are reaped in other service systems that are under pressure at the moment. I think it's an area where we need to tread carefully and perhaps a little slowly because we're in an environment where we've got a National Disability Insurance Scheme in its embryonic stages and how that plays out for families is still being worked through. And we've got government suggesting it's going to play around and tinker with the welfare system as well. So we've got these service systems on the side that are pulling their own levers as well. So they have flow-on implications for the universal service platform. So we need to look at them in totality.

DR CRAIK: We would agree. One of the points made strongly in our report is that we don't see that the childcare funding ought to cover what the NDIS is set up to cover. It shouldn't have to pick up any slack there. But we need to work out how they interact.

MR NOTT: That's right.

MR LANTRY: Which is one of the risks that the extension of the nanny scheme as well and its coverage as to what pressure it puts on the sector in response to the ratios of children to nanny care versus what they would effectively deliver with inside the sector. Now, if you see that group move out any sort of significant percentage of nannies - workers are added to the nanny care arrangements, then that's going to have a detrimental effect on skillsets and resources with inside the sector. Even if 8000 move across, shift across, then your ratio change is something from 13,000 kids being looked after in the sort of ratio that has been historically the case with nanny care to what would be 51,000 children that would be equivalent with inside the long day care centres. So there's a real risk of that proliferation of that staff and its impact upon the sector and its again push against the capabilities. So we need to tread carefully in regard to that stuff as well.

DR CRAIK: Thanks very much. That's been really good. We look forward to your submission.

It's Wendy Craik here. Jonathan Coppel, my fellow Commissioner here. Would you be able to state your names and organisation and then if you'd like to make a brief opening statement. Just to let you know, we have an audience of about a dozen or so people in here as well who can hear everything you say as well.

PROFESSOR FARRELL: Thank you very much, Commissioners. My name is Prof Ann Farrell, head of the School of Early Childhood at Queensland University of Technology in Brisbane. Present with me are Dr Sue Irvine, Dr Megan Gibson, Dr Amanda McFadden from the School of Early Childhood. Here we offer a specialised early childhood program that prepares teachers for across a range of educational settings prior to school. We acknowledge the significant and likely influence of the early years of life on children's health, development, learning and wellbeing. We know that families have the greatest influence but know that supporting families to give children the best start in life is a shared responsibility for government, business and industry and the broader community.

Our view is informed by the UN Convention on the Rights of the Child and by census evidence acknowledged within your report that investment in this area provides multiple educational, social and economic benefits. Access to high-quality education and care is the right of all Australian children and their families, cornerstone of an effective education system and a fundamental workforce strategy supporting the economic prosperity now and for the future. We notice that in the issues paper and the draft report that there continues to be a strong focus on current workforce participation and some discussion about trade-off in quality, flexibility and affordability. We think this is short-sighted and advocates the need to maintain a longer-term social and economic perspective. This demands appropriate investment with the provision of high-quality services that will reflect contemporary quality expectations.

We commend the Commission's support of the National Quality Framework. We recognise the development of the NQF as a significant historical milestone in Australian early childhood and an effective and evidence-based approach to encompass quality. The NQF has a number of strengths: key quality determinants; performance-based standards that can be met in different ways and continuous quality improvement. Our collective engagement with a range of stakeholders continues to demonstrate the quantitative (indistinct) of the NQF on the quality of educational outcome program, partnerships with families and communities and educational leadership within services as indicators of quality.

In a recent project with Goodstart Early Learning, we found that the NQF provided a practical platform for this organisation to realise its mission to provide high-quality accessible and affordable services. We think quality areas and related expectations as appropriate and achievable within the current Australian early childhood context and we endorse the reasonable staging of increased quality expectations as currently set out. The continued success of the NQF requires the qualified and professional early childhood workforce. While it is difficult to draw a direct line between qualifications and child outcomes, there is a growing body of evidence that specialised early childhood qualifications supports educators to do their job better; for example, to build positive relationships with

children and families, to design relevant and responsive educational programs and to collect and apply effective teaching strategies.

There is no evidence to suggest this is less important for younger children. In fact, the research would indicate the opposite: that birth to three years is a significant and fast-paced period for learning and best supported by qualified educators within the context of formal early childhood services. We believe that the current NQF mix of qualification requirements is appropriate and achievable. It provides the foundation to (indistinct) quality areas best. The introduction of a minimum qualification requirement, Cert III, for all educators in formal services is an important step forward and something that is already well achieved in some states such as Queensland. However, as in all professions, there is a need for leadership at different levels. We strongly support the continuation of staged requirements to increase the number of diploma-qualified educators and early childhood teachers to lead educator programs based on the full complement of children present. This is a critical factor in providing career pathways and building a sustainable workforce.

In line with OECD recommendations, we advocate a national approach to early childhood in Australia. A particular strength of the NQF is its coverage of all and rejection of historical and outdated divisions between childcare and early education. We wish to see this national service continue and see absolutely no benefit in removing preschools and kindergartens from oversight by the NQF. In fact, we can see a number of negative impacts, in terms of quality, equity and (indistinct) duplication. Such a move would undermine more flexible and integrated child and family services.

We conclude now by noting the importance of language or terminology within our profession. We're concerned about what seems to be a return to market ideology and the haphazard terminology used to then present our field; for example, "market", "industry", "sector", "staff", "worker", "educator", the idea of parents as consumers and, most significantly, the potentially divisive terminology of "childcare and early childhood learning", as if these are separate. We advocate the continuation of terminology used in the NQF and the Early Years Learning Framework, in line with internationally-recognised terminology. It is important to look at this from the perspective of those working in early childhood education and care and to acknowledge the important contributions they make to early education and supporting families to give our nation's children a better start in life.

Finally, we see the need for government leadership and investment in the future services for early childhood education and care in Australia. Thank you.

DR CRAIK: Thanks very much, Ann. I have a couple of questions. Your comments on our haphazard terminology; I guess I'd be interested in your view of which particular words we should use in terms of describing what you said we'd described as "the market", "the sector", "the industry". Is there a particular word - I don't know that we were particularly aware of a word that was used to describe this particular - - -

PROFESSOR FARRELL: Commissioner, I'd just refer now to Dr Sue Irvine, who will come in.

DR CRAIK: Okay.

DR IRVINE: Hello, Commissioner Craik. I think that we're really looking at the terminology that is currently being used both internationally and in some of Australia's more recent policy documentation, both the collective terminology around early childhood education and care, the integrated concepts underpinning that, recognition of those who hold qualifications and who are working under the national policy framework, and the Early Years Learning Framework as educators; I think, putting emphasis on parents certainly as consumers but also as important participants within our system.

DR CRAIK: Okay. Thank you.

MR COPPEL: You will have seen in our terms of reference that we're asked to look at options to support workforce participation and childhood development in a way that enables quality, flexibility, affordability and accessibility, and all within a funding envelope which is the same as the current budget parameters. You've identified, at the beginning, that we should have a longer-term focus on investment, if I can use that word, in the sector. If you were in the position that we're in, to identify how we should prioritise meeting those goals, what would you focus on as priorities?

DR IRVINE: We think that the balance is really important, Commissioner. I think that the balance between the immediate context of supporting workforce participation - but also building a system that is going to support the learning and development of our future workforce, as well. In terms of managing priorities, I think that we need to look at staged investments and staged progress and that, at the moment, the National Quality Framework is providing a platform for just that.

MR COPPEL: What does that translate into in terms of whether - in our draft report we've tended to focus on children with additional needs and children from households with lower incomes, and less on children that are coming from higher-income households. Is that sort of direction in terms of identifying priorities something that you would support?

DR IRVINE: I think that the proposal for a single subsidy, based on reasonable cost, is well supported and I think that the focus on increasing support for those children and families who need it is also well supported. However, I also think that early childhood education and care is a universal good and universal public benefit, and that we need to invest in it in a way that all families are able to access it, but, generally speaking, the idea of the single subsidy, based on work similar to that of Deb Brennan is well supported. Does that answer your question, Commissioner?

MR COPPEL: Yes. Thank you.

DR CRAIK: One of the areas that you talked about was the preschool issue and the fact that we'd recommended that stand-alone preschools come under state legislation. The background to that was that, currently, Western Australian and Tasmanian preschools are under state legislation, Northern Territory is under both territory education legislation and the NQF, and the other states are largely under the NQF, I think. I guess what we were trying to do was reduce duplication and overlap, regulatory duplication and overlap, because that seems to add cost to things. As we understand it, Western Australia meets the NQF standards, even though it's under state legislation, and they have amongst the highest attendances in the country at preschool.

You suggested that the separation that we've proposed could potentially jeopardise quality, equity and integration. Would you be able to expand on that a bit?

DR IRVINE: Certainly, Commissioner. My experience is actually in public policy. Many years ago the Queensland system was very similar to that that you've just described, with the preschool system falling within the education ambit of administration and, when the National Quality Framework was introduced, it was quite evident that there was a disparity between the quality standards that were expected. So, from a Queensland perspective, I believe that the quality of all of our services has been supported and has increased with the National Quality Framework and I'm concerned about separatist administration that may apply differing standards, and, yes, I do think that that jeopardises the (indistinct) Queensland.

DR CRAIK: Isn't it a fair comment to say that attendance at preschools in Queensland was not very high at all before the National Partnership Agreement? As I understand it, Queensland gets the lion's share of funding from the Commonwealth, pro rata, compared with other states right now for preschool, under the NPA.

DR IRVINE: That's true, Commissioner, but I was going back even further to the state preschool system when in fact we had very high attendance and participation rates. I'm drawing on my ancient history in that area.

DR CRAIK: Okay. Thank you.

MR COPPEL: Do you have any comments on our recommendation in relation to the National Quality Framework in the context of out-of-school-hours care, which is calling for a consistent - - -

DR IRVINE: (Indistinct)

MR COPPEL: Yes?

DR IRVINE: I'm sorry, Commissioner. Please go on.

MR COPPEL: The recommendation is calling for a consistent set of staff ratios and qualifications for those caring for school-aged children. Do you have any comments on that recommendation?

DR IRVINE: Absolutely. Recognising that the qualifications and quality of educators is the key determinant in any service of this nature, we support the national organisation for out-school-hours care recommendations around the need for appropriately-qualified educators in outside-school-hours care and the need for greater ratios. Again, we're drawing on the Queensland experience and thinking about the introduction of those requirements some time ago in Queensland under regulation and the impact that that has had on the quality of school-aged care services. Having said that, we also view school-aged care in a slightly different context, it's certainly about leisure and recreation, so we see that there could be some diversity in terms of the qualification requirements there, again, looking at a mix of qualifications to ensure the industry has (indistinct).

MR COPPEL: Thank you.

DR CRAIK: Someone yesterday raised the issue of, if we're going to increase workforce participation, we're likely to be much more successful if after-hours-school care can be made more attractive and available than in dealing with below-school-aged childcare arrangements, simply because mothers are more likely to - they might be working part-time and be able to extend their hours, or more likely to go back to school, if their school-aged children are catered for in equivalent sorts of hours to workplaces. Do you have any views about that and how to make after-hours-school care more attractive? The comment was made yesterday that, once they get to about eight or nine, kids aren't the slightest bit interested in after-hours-school care or vacation care because it's about the most boring thing you can be sent to. How do you actually make it attractive and what can we do to make it more available, more places?

DR IRVINE: As a parent I've experienced that. When you're talking about more attractive, Commissioner, are you thinking about that in terms of children wanting to participate?

DR CRAIK: Yes. There's not much point in having it if the kids don't want to go.

DR IRVINE: Absolutely, and as a parent I've experienced that, but there is such a range, as there is across the board, in terms of all our education and care services, there are a range of approaches to service delivery and some excellent examples of school-aged care services. Some of the features that are probably worth noting, in my opinion, would be those services who are large enough to be able to divide their age groups and who can have a particular focus on caring and working with younger children, a younger age group, and then a particular focus that provides relevant programs and activities for older students as well. Obviously that's a model that relies on numbers for viability.

I think also that a number of school-aged care services in Queensland are starting to make connections with other local services and bringing in people to offer a range of exciting things for children, things that they want to do. I think that it's, really, thinking about the audience and also recognising that these children have been in a school context for six hours, so they're ready for something different and the thing is to provide them with that.

DR CRAIK: Thank you. Thank you very much for your comments and your input, we appreciate that. Sorry we kept you waiting but thanks for much for waiting round for us.

MR COPPEL: Thank you.

PROFESSOR FARRELL: Thank you very much. Just to assure you, we will be making a written submission by the due date. It's been a privilege to meet with you today and thank you for your time.

DR CRAIK: Thank you very much. We look forward to your submission.

That does end today's proceedings, I think, unless anyone in the audience wishes to make a statement before we close. Okay. That ends the public hearings for this Inquiry. Thank you.

MR COPPEL: Thank you.

