



NSW Family Day Care Association Inc.

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27/8/2014

Childcare Inquiry
Productivity Commission
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Dear Commissioners,

Please find attached a response from NSW Family Day Care Association to the Productivity Commission's Inquiry on Child Care and Early Childhood Learning Draft Report.

Thank you for the opportunity to comment on the Draft Report. NSWFDCA has chosen to respond only to those recommendations that will have the biggest impact on Family Day Care operations. Our silence on other recommendations cannot be taken to suggest our support for these recommendations. NSW Family Day Care Association also supports the response made to the Commission by the NSW Children's Services Forum of which we are a member.

Yours faithfully,

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About Us.

The NSW Family Day Care Association Inc. was established in 1976 to promote and support all aspects of Family Day Care in the community.

We do this by:

- Promoting the wellbeing of children and encouraging the discussion and exchange of ideas relating to children and their needs.
- Informing and supporting those involved in Family Day Care.
- Co-ordinating and acting on problems specific to Family Day Care in NSW.
- Preparing research, education, publicity and submissions relating to Family Day Care.
- Disseminating information relating to Family Day Care.
- Acting as an advisory body.
- Liaising with government and non-government organisations.

New South Wales Family Day Care Association provides professional support to members and the early childhood education and care sector in the provision of quality early childhood education and care through direct service provision, advocacy, recognised vocational and professional training, information dissemination, mentoring and collaborative networking opportunities.

NSW Family Day Care Association:

- Represents its members (NSW Family Day Care providers in NSW are members)
- Operates a Registered Training Organisation (Peak Training) which provides the majority of nationally accredited training to NSW Family Day Care Educators.
- Operates an extensive professional support arm. As one of the consortium that operate the NSW Professional Support Co-ordinator (Children's Services Central) we are contracted to provide the majority of professional development to Family Day Care Services in NSW.
- Sponsors NSW In Home Childcare Services (NSWIHCS). This means we are both a peak organisation as well as a direct provider of In Home Care.
- Advocates on behalf of Family Day Care and In Home Care Services.

1. The suggested deemed cost of care will mean families will need to pay more for Family Day Care than they currently do.

The recommendation to combine Child Care Rebate, Child Care Benefit and other funding streams into a single child-based subsidy has merit.

The single fee will make families understanding of funding less complicated and will also make the distribution of the funds less complicated for services.

There are several issues that the single combined subsidy raise that are not necessarily going to decrease families fees for ECEC.

Deemed Cost of Care.

Early Care and Learning Subsidy is based on a deemed cost of care of reasonable cost of delivering services.

The deemed costs provided by the Commission are apparently based on the median price charged for Early Childhood Education and Care services.

- \$7.53 per hour in Long Day Care
- \$6.84 per hour in Family Day Care
- \$6.37 per hour for Out of School Hours Care

A deemed cost of care based on a median price will provide totally different figures than if the deemed cost of care was based on average fees for different service types.

- ✓ The deemed cost of will need thorough modelling to ensure it reflects the true cost of care in different areas, situations and the demographics of major cities and the cost of care provision.
- ✓ The Commission reports that the majority of families already receive CCB and CCR,
- ✓ The majority of fee assistance is provided for children under the age of three years.
- ✓ Only 5% of families reach the CCR cap pf \$7500 per child in 2013-2014.
- ✓ Under the current system where families receive CCB and CCR there is some fee relief for families if their child care fees increase during the year.
- ✓ The current payment of CCB and CCR provides some additional relief for families that utilise care outside normal operating hours. The deemed cost of care does not take into account the additional fees that are charged for overnight, 24 hour care and weekend care that in general attract high fees. Currently families receive CCR on the additional out of pocket expenses.
- ✓ With one combined subsidy that is indexed of revised each year will not provide any relief for families when fees increase during that year.

On initial calculations it would appear that fees for families in Family Day Care will increase if the suggested deemed cost of care for FDC is \$6.84. The proposed deemed cost of care in FDC of \$6.84 is inaccurate and misleading.

The cost of delivering a family day care service is two tiered.

There is the cost of face to face education and care provided by family day care educators and then in addition is the cost of the service that supports and monitors the care provision and administers the Child Care Management System. The coordination unit in family day care provides the mechanism for quality control. It must be recognised, when establishing a deemed cost of care for family day care, that the mechanism for quality care comes at a cost.

With the current subsidy, this additional cost is recognised. The current base rate for CCB is \$4.10 and for families using part time care FDC receive a 133% loading on that based rate to assist families with the cost of flexible care delivery that is not based on block hours charging practices. This means that that the part time CCB rate in \$5.47

Long day care services receive a 20% loading on the base rate for part time care which means that the subsidy for low income families is \$4.92.

The deemed cost of care for those two service types do not reflect the part time loading that currently exist and make the fees affordable for families using 35 hours care or less. Statistics currently show that the majority of families are using less than 35 hours care per week.

Comparison table. The table below is based on an hourly rate of \$8.00 and the part time CCB rates.

LONG DAY CARE							
	Hourly fee	Base Rate	Loading%	Loaded Rate	Parent Fee	CCR 50%	Final Fee
Current	8.00	\$4.10	20%	\$4.92	\$3.08	\$1.54	\$1.54
	Hourly fee	Deemed cost of care	90% subsidy	Parent fees	Difference		
Current	8.00	\$7.53	\$6.78	\$1.22	-.32 cents		

FAMILY DAY CARE							
	Hourly fee	Base Rate	Loading%	Loaded Rate	Parent Fee	CCR 50%	Final Fee
Current	8.00	\$4.10	33.33%	5.47	2.53	1.26	1.27
	Hourly fee	Deemed cost of care	90% subsidy	Parent fees	Difference		
Current	8.00	\$6.84	6.16	1.84	+.58 cents		

This simple table shows in simplicity the effect that the suggested deemed cost of care would have on families in two different service types.

The concern for Family Day Care services is that they may not be eligible for Community Support Funding from July 2015, which will increase the average costs of care in family day care significantly. If

the deemed cost of care does not allow for this then family day care will become less affordable for families.

Considering that Family Day Care has a large percentage of children under 3 years using care this will put increasing pressure on all areas of the early education and care sector, which is already experiencing an environment where demand greatly exceeds supply.

The current educator: child ratios. Family day care is now working with the same ratios as long day care for children under two years. The cost of providing an education and care service for under two year olds is significantly higher than over two years. Long day care services can absorb some of the cost of under 2 year old care provision due to the lower educator/ child ratios for older children and therefore the overall cost of care provision is lower.

The intent of the Commission is to increase families' access to affordable and flexible childcare. There needs to be more consideration on how the ECLS will be implemented and how the deemed cost of care will be established so as to not disadvantage any particular service type in the market.

The removal of the multiple child rate will also impact on the cost of care for families.

According to the Commissions' draft report there are 4098 recipients of GCCB in the representative year quoted. The removal of the GCCB will significantly impact on grandparents who have the sole responsibility of grandchildren.

The deemed cost of care calculation also needs to take into account, for family day care, the fact that educators' own children are overlooked and not reflected in government statistics. Educators' own children do not attract any form of subsidy. The lack of availability of CCR and CCB for educators' own children is a barrier to women with children under school age joining the family day care workforce.

2. The proposed activity test will mean some children will not have access to Family Day Care.

The Commission has proposed an activity test that would remove the right for families to access funded education and care unless they are working, studying or training for a minimum of 24 hours per fortnight.

NSW Family Day Care Association believes that this recommendation will mean that many families currently accessing Family Day Care Services would no longer be able to do so. Currently services do not keep statistical information about how many families using FDC would not meet the activity test requirements because under current CCB/CCR arrangements all families are able to access 24 hours of funded care per week regardless of whether they meet the work/study/training test for access to Child Care Benefit. Anecdotally however, NSWFDC member services are telling us that many families using our services would be cut out of funded care under the proposed model.

Family Day Care educators play an important role in modelling to families who need support to develop parenting skills what consistent, stable care of a child looks and feels like

Family Day Care services often provide care for children of families in vulnerable circumstances. These families are not employed or studying. These children are not in a situation where they yet need to be reported under child protection legislation as children at risk. They are in a situation where without the benefit of a quality education and care service for a number of days per week, where they benefit from consistent routine/ care and behaviour guidance and where their early learning is supported, they may become children at risk. The short term financial savings of removing access from this cohort to early education and care through services such as Family Day Care is not worth the long term cost of more children entering our child protection system.

NSW Family Day Care Association recommends that the activity test component of Draft Recommendation 12.4 be removed from the Commission's Final Recommendations.

3. There is a strong case for ongoing operational support for Family Day Care services in all areas.

The Commission has requested information regarding the case for ongoing operational support for mainstream ECEC services in rural, regional and remote areas.

As the Commission would be aware, the majority of Family Day Care Services will lose their operational support funding from 30 June 2015. This was announced in the 2014 budget, after initial submissions to the Commission had closed.

NSW Family Day Care Association believes that the removal of operational funding from Family Day Care will have the following effects on Family Day Care Services in NSW:

- The withdrawal of long term, reputable sponsors from Family Day Care provision will mean the closure of the FDC services sponsored by them, leading to a drop in the availability of early childhood education and care places available for families in NSW.
- Increased fees. Family Day Care services will ultimately have to pass on the loss of funding to families who are already under significant financial pressure.
- Reduction in service quality. Operational funding primarily supports the quality of education and care available to children. Where services lose operational support funding, reduction in the levels of monitoring/support/professional development is the only alternative.

Why will long term, reputable sponsors withdraw from provision? Sponsors of community-based FDC in NSW such as local government, charities, and stand-alone providers have indicated that they are considering withdrawing from ongoing provision because:

- Of the reduction/removal in funding per se. A number of NSWFDCA members will lose between \$100,000 and \$800,000 in funding because of the decision. Other services in rural areas may retain funding but at a reduced amount. Services do not believe that families will be able to absorb increased fees.
- The reduction in funds will lead to a decrease in the quality of monitoring and support to educators, thereby increasing the risk for Approved Providers. Many providers will determine that provision of a FDC service poses an unacceptable risk for the organisation that cannot be ameliorated.
- Services that will retain some level of operational funding will have to reapply for that funding every year. Organisations cannot plan operationally for staff redundancies or service closure on a year to year basis. Withdrawal from provision would be the more financially prudent decision for these organisations to make.
- Where services are forced to increased fees to cover the operational funding losses, families may have to consider the viability of remaining in the workforce.

The decision to review CSP funding was made on the basis of increased expenditure. The increased expenditure on CSP funding occurred due to changes in Government policies which enabled the rapid growth of new entrants into the Family Day Care sector.

The Commission has queried whether operational costs of FDC services could be covered in the deemed cost of care. Theoretically they could. It is clear that providing monitoring / support/ professional development to educators is part of the cost of provision of Family Day Care. However the Commission will only have the fees currently charged to base the deemed cost on. There is no doubt that Family Day Care Fees will increase substantially from July 2015. Unless those future fee increases are factored in, families will be paying such a large gap fee for Family Day Care that they will turn to other services such as centre based care, which will then increase the possibility of FDC services closing.

NSW Family Day Care is dismayed and alarmed that the decision to withdraw operational funding from FDC services was made at the same time as the Productivity Commission was charged with coming up with ways to ensure that childcare remains affordable and accessible. The removal of this funding will negatively impact on both affordability and accessibility of Family Day Care to families in NSW.

NSWFDCA requests that the Commission make a recommendation that the Australian Government reverses the decision to remove operational funding for Family Day Care in regional, remote and city areas.

4. Nannies must be linked to a service provider such as a Family Day Care Service.

NSW Family Day Care believes that there is a role for nannies in the education and care system. However for the protection of children being cared for by nannies in family homes and for the protection of the nannies themselves, NSW Family Day Care Association makes the following suggestions:

- All nannies must be linked to a larger provider such as a Family Day Care Service or an In-Home Care Service. This would enable nannies to have support in regulatory compliance, guidance in understanding how to support children’s early learning via the use of the Early Years Learning Framework, and in any issues that may arise for them as educators within a family’s home. NSW Family Day Care Association believes that many people who would be engaged as nannies would be women. Access to a service such as Family Day Care would reduce the isolation of these nannies.
- There need to be caps built on the number of children from different families that a nanny can care for.
- The term nanny should be replaced with the term in home-educator in line with the other service types of the National Quality Framework. This signals to families and the wider community what the ‘nanny’ is doing in relation to the child.

NSWFDCA requests that the Commission make a recommendation that all in-home educators be linked to an existing FDC or IHC service provider.

Draft Recommendation 8.6

5. In-Home Care should not be removed as a service type.

NSW Family Day Care Association does not believe that the need for maintaining a separate category of care for in-home carers will be diminished once the system for making nannies an approved category of care is established.

In-home care has developed as a viable system of ensuring specialist assistance is given to those families for whom there is no other suitable form of education and care available, and can become the basis of an expanded system of in-home care including nannies. Why remove an established structure to set up another structure? As explained above, NSWFDCA believes that nannies should be linked to a service provider – in-home care would be an appropriate service provider. Relaxing the regulations around eligibility to in-home care and bringing In-home care into the scope of the National Quality framework would be a first step to setting up the nanny system.

NSWFDCA requests that the Commission removes Recommendation 8.6 from its final recommendations.

6. The proposed removal of tax concessions for not-for-profit providers will impact on the viability of many Family Day Care providers.

Many of the providers of Family Day Care Services in NSW are currently eligible for tax concessions.

Some of the not for-profit providers of FDC in NSW are large charitable organisations (e.g. Integricare, Mission Australia and Christian Community Aid) that run a number of different programs – not just Family Day Care services. The impact of tax benefit concessions for these organisations would include:

- Removal of payroll tax exemptions would impact across the entire organisation, not just the part of the organisation which delivers Family Day Care. Many organisations may be forced to stop delivery of Family Day Care in order to protect the tax concessions for the rest of the organisation. One of these providers alone provides 1700 Family Day Care places. The removal of this provider from the market would have a huge impact on the amount of Family Day Care available within NSW.
- The service staff employed by not for-profit Family Day Care Services (such as Co-ordinators) are currently able to salary package because of their eligibility for Fringe Benefit Tax concessions. This enables their employing organisations to attract highly skilled and qualified employees by virtue of the salary packaging making the wages slightly more competitive and attractive. Losing the ability to salary package will mean that real wages for this group will drop. This will negatively impact on the recruitment and retention of staff in the sector. Removal of FBT concessions will also cross the affected organisations to a range of other programs run by them. This again will force these organisations to stop delivering Family Day Care in order to protect their capacity to offer competitive salaries to their staff employed by other programs.

In addition any removal of tax concessions would mean that the lost benefit would need to be replaced by increased fees to families. Community based not for-profit services provide care for the majority of children in Family Day Care services in NSW. Any removal of these concessions would thus mean that the majority of families using Family Day Care in NSW would face increased fees.

NSWFDCA requests that the Commission removes Recommendation 10.1 and 12.1 from its final recommendations.

Draft Recommendation 7.1

7. The NQS should not be simplified.

Since 2011 NSW Family Day Care Association has been working with our member services to ensure all educators and services understood the requirements of the National Quality Standard as the guiding and defining document to the minimum quality of education and care provision in Australia. We believe that any changes to the NQS at this point would:

- Negate the work already done to ensure Family Day Care Services meet the NQS.
- Create an un-level playing field for those services that have been assessed under the existing NQS and those that would be assessed under the revised NQS.
- Negate the fact that the NQS was drawn up on the basis of evidence as to the minimum requirements to ensure quality provision for education and care within Australia.
- Cause change fatigue within the sector. Educators have gained an understanding of what the NQFS means for their practice. Do not create changes that require policy and practise revision at this point.
- Not change the basic problems of assessment and rating. It is not the NQS that is the problem, but the way services are assessed against the NQS which is causing the delay in ratings.
- Children are learning from birth, not just from 3 to 4 years. Family Day Care is an exceptional Service for providing quality educational experiences for children. Research indicates that the nurturing nature of small group care is critical in the early years, where Family Day Care provides individualised learning opportunities.

NSWFDCA requests that the Commission removes the part of Recommendation 7.1 that suggests that standards and elements of the NQF should be removed or altered from its final recommendations.