RESPONSE TO PRODUCTIVITY COMMISSION REPORT INTO CHILDCARE AND EARLY CHILDHOOD LEARNING

Australian Childcare Alliance

Australian Childcare Alliance

Table of Contents

Introduction **March, 2015**

The Australian Childcare Alliance (ACA) represents approximately 70 per cent of Australian long day care centres. These centres provide care for more than 400 000 children nationally. ACA has representation across every state and territory and champions excellence in child care on behalf of its members. ACA has welcomed the Productivity Commission (PC) review of the Early Childhood Education and Care (ECEC) sector. This review was commissioned by the government with the intent to analyse all initiatives to effectively and efficiently deliver quality, affordable and accessible care to all Australian children.

With any review there are of course, recommendations that will be supported for providing benefits to children and recommendations that have consequences that will affect families and their children. This certainly summarises the outcome of the current PC review and our support, concern and recommendations are detailed in this document.

Throughout ACA's deliberations on the PC Report, we have maintained with the acceptance of any changes, that outcomes for children not finances, must be the primary consideration. The recommendations of the PC Report if introduced will have a negative impact on a cohort of parents and their children, on the workforce participation of educators in the ECEC sector and will increase workforce participation of parents by just 1.2%. This figure no doubt does not include the loss of ECEC educators to the workforce and predominately the female workforce.

We do support change, and we do request that the government considers all consequences and does not rush into revamping the entire system without assurance that all children will have access to an early education and care program; that families will be encouraged to make the choice to participate in the workforce, and that educators and the sector in total can embrace the sustainable, revamped system with enthusiasm.

Thank you for meeting with our team,

Kind regards,

Gwynn Bridge

Australian Childcare Alliance
President
0418764779

Australian Childcare Alliance

ACA Analysis of recommendations and suggested outcomes

1. Benchmark price - Early Care and Learning Subsidy – (ECLS) Indexation

PC Proposal

The Productivity Commission recommends the introduction of a single means tested payment to support the cost of childcare for families. The new payment known as the Early Years Learning Subsidy, is based on a 'Benchmark price' and on 2012-2013 figures
$7.41 per hour 0 – 3 years in LDC
$7.20 per hour 3 + years in LDC
$6.94 per hour for all children in Family Day Care and cared for by nannies

ACA Concern

- Overall Benchmark price at median level assessment is not sufficient to avoid financial disadvantage to most families in the $40,000 - $80,000 income bracket, and/or those paying $80+ per day (see attached costing).
- We are pleased that the higher cost of providing education and care to 0 – 3 ys has been acknowledged by the PC. However, as most centres cross-subsidise, the difference in proposed benchmark price for this age cohort is not reflective of the true difference in operating costs. A difference of .21c per hour will not assist families with affordability issues – around $1.87 per day benefit for those on maximum subsidy.
- The relatively minor difference of 26 cents per hour to the proposed benchmark price for long day care (LDC) is inappropriate. As opposed to nannies and family day care this is of concern to the LDC sector given that nannies and family day care do not have the same level of rigour in terms of NQF requirements re: qualifications, physical environment, payroll tax etc. and for nannies, reduced compliance, no infrastructure costs and simplified implementation requirements under the NQF.

ACA RECOMMENDATION

ACA recommends

- An increase to the benchmark price to ensure it is more reflective of the actual costs of care across Australia
- Increased subsidy for children aged 0 – 3 years to accurately reflect the higher operating costs associated with providing high quality education and care , noting that publicly available data on daily fees for this age cohort do not reflect actual costs given services mitigate the impact on families by cross-subsidising across age cohorts
- Further consideration is given to the actual operational costs of each sector to ensure that Benchmark price is reflective of the actual costs of provision of the service
- That the current funding allocation cannot be extended to the nanny sector as the existing early childhood education and care budget is providing insufficient support for families. There should be assurance in any funding model that current families are not subsidising the inclusion of additional sectors
- Removal of the proposal for additional sectors to be included under the NQF. ACA understands that state/territory jurisdictions have questioned how they would embrace additional sectors requiring substantial human and financial resources and to establish and

maintain assessment and rating and compliance checks for nannies and others. Only 52% of the sector has been assessed and rated to date with 27% of services in SA and WA assessed and rated as at 31 December 2015. ACA therefore suggests that the regulatory process under the NQF is not established sufficiently to efficiently embrace the implementation of other sectors

- That the Benchmark price is adjusted to encompass imminent impacts to be introduced by the sector resulting in higher regulatory requirements, Fair Work decisions and CPI. The Benchmark Rate will not withstand if adjusted to CPI only as we have witnessed the devaluation of the CCB rate because of this process. The current Equal Remuneration Order before FWC could result in substantial increase in wages for ECEC educators. The probability of this increase occurring in 2016 in concert with the NQF ratio change implementation will result in a considerable increase in fees for families
- That wage increases and implementation of NQF requirements must be taken into consideration when considering variation in service provision
- Support for the recommendation (17.2) that the full amount of subsidies for families is paid off their child care fees by the government. This will ensure that the visibility of the amount of the total subsidy paid by government is evident to parents
- That the Australian Government be responsive by moving to correct any significant unintentional consequences that adversely affect families exponentially as they arise and not wait the full 2 years to correct them as has happened with the implementation of the NQF with regard to the Certified Supervisor certificates.

2. Benchmark price – Hours Care

PC Proposal

..the Commission expects that short-term enrolment where parents are charged on the actual hours their children are in care will become increasingly common.

(Page 434 under the heading ***Scope to vary days of ECEC used***)[1]

ACA Concern

ACA members are concerned that whilst this was not included as a recommendation of the Productivity Commission, it is mentioned on page 434 under the heading ***Scope to vary days of ECEC used.***[2]

The PC states that “The removal of caps on occasional care, and the removal of requirements around the hours of operation that differentiate occasional care from other care — as recommended by the Commission — will make it harder for providers to sustain charging models based on hours booked”.

1 Part C: Evaluation and Options for Improvement

2 Part C: Evaluation and Options for Improvement

If services are forced to moderate the fee structure to accommodate hours used/hours paid the result will cause:

- Increased administrative burden
- Educators reduced hours of participation in the workforce
- Industrial repercussions

It is not feasible that a service can sell hours at the beginning and end of the day. Service costs continue as the service must remain open for the hours of operation required by families.

ACA RECOMMENDATION

ACA recommends

- That the charging structure remains on a daily basis and not be altered to attended hours.
- That the lifting of the cap on occasional care (OCC) places and the removal of hours around the operational hours as recommended by the PC Report are not adopted. In the past OCC has been a valuable alternative to long day care for parents needing hourly care. The OCC services found this was not sustainable resulting in services being unviable and having to alter their provision of care to long day care. This was not the intent of the funding model for occasional care. Should the cap on places be introduced, a planning system would be required to manage the oversupply that could result from this action.
- For LDC services to continue to operate and charge the operational hours of the day as is demanded by their community. A reduction to this method would have negative effects on families, children, educators, service operators and government.
- Some of the effects of this change are:
    - increased administrative burden as hours of attendance would be calculated for each child on a daily basis
    - Reduction of workforce participation for educators thus defeating the very intent of the PC brief to increase workforce participation
    - Industrial repercussion as educators would be retrenched or have their workforce hours reduced
    - Services could not viably remain open for the families with 6.00 a.m. commencements or 6.30 p.m. collections
    - Workforce participation for families would be challenged
    - Children would be shuffled from carer to carer and lose the benefits they currently experience with continuity of care and stability

3. Eligibility – Activity test

PC Proposal

Income threshold - subsidy rate of 85% for family income of $50k, reducing to 20% for family income of $250k.

ACA Concern

ACA has concerns that

- There will be no allocation of subsidy for children of parents who are not parenting payment recipients (above $55,000 per year). This recommendation heavily disadvantages the children of these families who would in most cases be withdrawn from receiving any ECEC program because of affordability issues. Participation in the workforce test (activity test) has increased to 24 hours per fortnight for these parents. The PC report does identify that low work hours are a first step to greater workforce participation. This will affect many of our families whose part time work does not extend to 24 hours over the fortnight

- Pre-school/kindergarten children receive 30 hours per fortnight for 40 weeks of the year however it is unclear whether or not this will capture the children of parents who fail to meet the activity test
- In some areas where there is currently large participation from children whose parents do not meet the activity test, this could also affect employment of the educators at the service, which would result in unintended consequences on workforce participation
- The impact of an immediate introduction of the activity test on families, children and the sectors

ACA RECOMMENDATION

ACA recommends

- Support for the PC position that families receiving a parenting payment are exempt from meeting the activity test
- Continuation of 24 hours per week for all children whose parents do not meet the activity test. ACA does not support the PC recommendation that children of parents on a parenting payment (approx. family income of $55,000) and not meeting the activity test will receive only 10 hours per week or 20 hours per fortnight
- That the proposal of 24 hours access for all families not meeting the activity test be adjusted to include children of families under an income below $160,000 per year
- Support for the allocation of hours for children attending a Preschool/Kindergarten program in LDC to receive 30 hours per fortnight. ACA requests that this include children whose parents do not meet the activity test. ACA cannot support the recommendation that parents who do not meet the activity test and are not receiving a parenting payment will receive ***no*** EYLS funding which has a strong likelihood of causing disadvantage for their children
- Rejection of any measure which excludes a cohort of children from accessing a quality early childhood education and care program by virtue of the fact that the families will not receive any subsidies
- That all children be subsidised to attend a preschool program for 40 weeks and 30 hours per fortnight
- Consideration of the impact on the reduction in workforce participation by the predominately female ECEC workforce should children currently attending a service be denied access due to their parents' inability to participate in the workforce
- That the activity test requirements be phased in to encourage families to prepare for their return to the workforce and to ensure children are not terminated from care on a particular date of commencement of the activity test

4. Payment Structure and Income/Means Testing

PC Proposal

A means tested program of the proposed Early Care and Learning Subsidy with 85% subsidy for family incomes of $60,000 reducing to 20% subsidy for families with an income of $250,000

Lineal taper

ACA Concern

- Families who have exemption from the activity test are required to pay the gap fee. For example, unless otherwise stated.
- Our concern is for the families whose income may be closely aligned with the cut off point for this exemption but will be subject to an activity test and the same means test as applied to other families in determining the subsidy rate that applies to their use of the ECEC service
- Grandparents while exempt from the activity test, will be means tested and required to pay the balance after means tested subsidy is deducted
- It cannot be assumed that grandparent carers who are retired and on a pension payment can afford to pay a gap fee.
- It cannot be assumed that a grandparent carer participating in the workforce and struggling to maintain a young family of their own can afford to pay a gap fee.

ACA RECOMMENDATION

ACA recommends that government:

- Ensures that no family will be disadvantaged through increased costs, with particular attention to increasing affordability for low to middle income families
- Rejects the proposal that Grandparents with sole care of their grandchildren are means tested to determine the percentage subsidy against Benchmark price
- Supports Grandparents by ensuring that they remain exempt from means testing and maintain zero fees for their grandchildren to attend a service for 50 hours per week
- Produces a cost benefit analysis to government on the social and financial benefit of grandparent carers of their grandchildren children

5. Universal Access

PC Proposal

Recommendation 12.1

Payment of a portion of the Family Tax Benefit Part A to the parent or carer of a preschool aged child should be linked to attendance in a preschool program, where one is available.

Recommendation 15.10

- The Australian Government should continue to provide per child payments to the states and territories for universal access to a preschool program of 15 hours per week for 40 weeks per year. This support should be based on the number of children enrolled in state and territory government funded preschool services, including where these are delivered in a long day care service. A condition placed on the per child payments is that they should be directed by the state or territory to the approved preschool service nominated by the family.
- The Australian Government should reduce the benchmark price for the hours of preschool provided by a long day care centre by an equivalent amount to the per child preschool funding.

ACA Concern

ACA is concerned for the preschool aged children of families with extenuating circumstances for the linking of FTB Part A, and those families who don't meet the activity test.

It appears that there is consideration by the PC that funding for Universal Access will shift from Federal to State/Territory funding – White Paper is currently under review.

Suggestions by the PC and if accepted could undo the work done by some states e.g. Queensland, Victoria and South Australia where programs in LDC services are funded and operating successfully. These services meet the needs of families and address the shortfall that would increase costs to states and territories should they have to outlay capital expenditure to build additional premises.

In recent years we have witnessed state and territory governments investing the majority of their UA funding into their own preschools – both on infrastructure and over supply of operational requirements. This was not the intent of UA as it was clear that it was to support all children regardless of their parents' choice of service delivery.

The PC reports on "double dipping" of funding when services receive funds from the state UA funding which is allocated per child's attendance in the approved preschool program and whose clients, the parents, are in receipt of federal government ECEC subsidies.

These services providing an approved Kindergarten/preschool program do not receive state money for families but in fact receive funds to ensure the employment and retention of an ECT, resources and the setup and maintenance of this valuable program. It should be noted that some jurisdictions (e.g. NSW, ACT, WA) do not provide any Universal Access funding at all to privately owned long day care services, meaning that families whose children access a preschool program via long day care are disadvantaged by state/territories expending funds at odds with the National Partnership Agreement intentions.

It is also unclear from the PC Report how the funding will be allocated in situations where a child may be receiving a preschool program via both long day care and state/territory preschool where families utilise both service types.

ACA RECOMMENDATION

- Support for recommendation (12.1). A provision for families to lodge an exemption for extenuating personal circumstances for reasons why their child cannot attend a preschool age program when attendance is linked to FTB Part A.
- Support for recommendation (15.10). The Australian Government provides payments to the States and Territories for the intent of Universal Access
- That payment for Universal Access (UA) is not combined in an "Education" payment to states and territories. ACA is concerned that the UA funding component will become lost in the system and not reach its targeted children to the full extent of its intent
- That the recommendation (15.10) not be implemented. ACA recommends that the benchmark price for the hours of preschool/kindergarten provided by a long day care centre ***not*** be reduced by an equivalent amount to the per child preschool funding. This would effectively see many ECT's exit the LDC sector and ultimately the preschool/ kindergartens in the LDC sector grind to a halt. The resulting cost to the Australian and State governments would be substantial.
- That the PC recommendation that children of preschool age are cared for in an Outside School Hours setting ***not*** be implemented. Children in their preschool year are young, vulnerable and developing confidence and security in their life outside of the home and ECEC environment. They require security and a facility appropriate to their age with no threats to

their feeling of belonging and wellbeing by having to immediately interact with much older children on, in most cases, a very large scale.

6. Additional Needs

PC Proposal

- **Additional needs**
- **At Risk children**
- **Exceptional circumstances**

ACA Concern

ISS funding has been inadequate for a long period of time.

ISP has not, in all states and territories, provided the quality support to services with additional needs children as required.

The subsidy rate is well below the actual cost of employing the educator and not sustainable. Most services report a net loss of approximately $80 a day to provide care for an ISP child.

ACA RECOMMENDATION

ACA recommends
- Support for funding of up to 7 hours per day for ISP children
- Support for streaming the process of application
- Support for ISS funding increase to ensure it is not cross subsidised by all of the families using a service providing care for the child. Services have been financially crippled because of the lack of sustainable funding provided to services for the ISS worker. Services have been unable to afford to take children with additional needs due to the extremely inadequate funding provided
- That funding must fully meet the award rate for a Certificate 111 child care educator plus on costs
- That similar funding is required for a bicultural support worker.
- The government retains the ISA, ISS, Bicultural Support and Special Equipment support elements from the IPSP to form the new Agency.

At Risk children
ACA recommends
- That the proposal for the identification and support of at risk children in principle is implemented but ACA would need to see the policy on this provision to determine whether the intent meets the correct implementation steps for the child and is supportive of the child, the family and the service.
- That government examines the impact on children's wellbeing when their parent/parents have a drug addiction or live in a home with family violence. This situation is becoming more prevalent and the children are in "at risk" situations on a regular basis. A small pilot was recommended in 1999 and the prevalence of drugs in the community has escalated in the past 16 years. - In December 1999 the Government announced two Family Crisis Child Care Pilot

Projects aimed at assisting families in severe crisis (for example, families with drug addiction problems) to access childcare.

- That government acknowledges the plight of children living in homes with parents who are drug addicted or with family violence by proactively sourcing data to address these situations immediately.
- That trials of implementation be introduced to establish a strong policy prior to roll out of these initiatives
- That the subsidy to 100% of Benchmark price for 100 hours per fortnight for children at risk is adopted
- That there is funding for necessary support services. Families are traumatised during life changing events and it is a time when children need stability. The service needs to have current information on financial assistance and external agencies that these families can access
- That educators have access to support services and debriefing opportunities
- That additional financial assistance is provided for families experiencing exceptional circumstances and exempt from meeting the activity test. Some families need much more support to regain their workforce participation status e.g. meeting their fees whilst they are in “exceptional circumstances”, which can be recovering from illness or injury, in rehabilitation, in a safe house or moved interstate in an attempt to be safe
- That consideration also be given to providing subsidy assistance to support children’s stability in attending a service when a parent or sibling are e.g. undergoing chemotherapy, is terminally ill or has suffered an accident or has passed away

7. Operational Hours Hourly cap/weekly cap of 100 hours per fortnight

PC Proposal

Maximum of 100 hours per fortnight of subsidised attendance for children under 13 years.

ACA Concern

A maximum allocation of 50 hours per week is currently causing families to reduce work on the fifth day.

When children attend 5 days per week this relates to between 10 and 12 hours per day of service operation to meet the shift work requirements of the community.

Centres need to open in many areas between 10 and 12 hours per day. As with many other businesses e.g. motels, hospitals, aged care, the time is booked in a block as minimum blocks of hours cannot be resold and must still be staffed to meet the needs of the community.
The PC is stating that services need to be flexible. Limiting attendance to 100 hours (10 hours per day) results in families being restricted by the flexibility of the service that opens in excess of 10 hours per day. Parents therefore receive 2 hours subsidy for the 5th day when the service is required to operate for 12 hours per day.

The pendulum on full time employment has swung back to most families of young children working part time and for up to three days per week. This then informs the statistics that families are using on

average, 27.5 hours per week[3] (2012 figures). It must be taken into consideration that families restricted to 24 hours care per week are included in that figure.
Should all services close after 10 hours of operation per day, the workforce would be dramatically reduced, both for families and for ECEC educators.

ACA RECOMMENDATION

ACA recommends

- That the subsidy be set to 60 hours (120 hours per fortnight) for families needing to work five days per week.
- That hours of care remains on a daily allocation

8. Service Operational Hours

PC Proposal

- Abolish minimum or maximum operating hours for services (10.4)
- Must be operational for 48 weeks per year

ACA Concern

It is difficult to extend operational hours at the current time due to penalty rates to be paid under the award; as well as local government planning restrictions. Any discussion on altering operating hours will require consideration of the industrial and planning implication of such a change.

ACA RECOMMENDATION

ACA recommends that the government

- Assists with changes to the award and in encouraging local governments to allow services to better meet the needs of their communities instead of preventing by various impediments, services from adjusting their hours and operations to meet families' needs.
- Introduces a planning model to ensure that services are constructed where required and not where there is no demand registered

9. Nannies

PC Proposal

- Governments should allow approved nannies to become an eligible service for which families can receive ECEC assistance. Assistance would not be available for use of nannies who do not meet the National Quality Standard.
- National Quality Framework requirements for nannies should be determined by ACECQA and should include a minimum qualification requirement of a relevant (ECEC related) Certificate III,

[3] Australian Government: Child Care in Australia August 2013 Table 9

or equivalent, the same staff ratios as are currently present for family day care services, and be linked to an approved coordinator, as occurs in family day care.

ACA Concern

ACA is extremely concerned that the already stretched funding envelope will be further stretched should nannies be added to the mix.

Regulatory jurisdictions will struggle to resource the additional burden of adequately regulating another sector. Currently no jurisdiction is meeting the targets for assessing and rating existing services, with two jurisdictions at only 27% of services assessed in 3 years. This does not include the services who were 'Working Towards" and who should have been re assessed after 12 months. Adding yet another sector to this would make a mockery of the intent of the NQS. Families currently believe their services are being assessed and rated regularly but the reality is that some services may not have even had a compliance visit for 8 or more years.

ACA is concerned that compliance for nannies would be watered down for a sector that would provide care only and that the funding for nannies is only .26c per hour less than that of the highly regulated LDC sector.
Families whose work demands shift hours generally do not wish to engage the services of a nanny and the trials on flexibility indicated that whilst parents thought flexibility was an issue, they did not avail themselves of flexible programs on offer.

ACA RECOMMENDATION

ACA recommends

- That the PC recommendation for additional sectors under the funding model is not introduced.
- That a reduction in compliance with the NQF for other sectors should not be considered.
- That FDC through extended hours linked with an in home care model together with long day care could meet the needs of most families if flexibility of the award and operating hours were introduced.
- That government works with the current sectors to determine the changes required to provide this flexibility, rather than further stretch the already strained early childhood education and care budget, as well as state regulatory authorities' workforce.

ACA recommends - should the nanny sector be introduced

- That the funding model recommended ECLS Benchmark price for nannies which is just .26c per hour less than the allocated Benchmark price for the higher regulated LDC sector be reduced should the recommendation for the introduction of nannies as an additional sector be implemented. The benchmark cost for nannies – providing care only – should be considerably less than that of LDC as they do not have the infrastructure costs associated with centre based early childhood education, neither the qualified educators nor educational programming requirements.
- That regular and random compliance visits on nannies and other regulated sectors occur in their workplace, but questions how regulatory authorities will resource this given current constraints on both finances and human resources.
- That consideration is given to the stresses on the current system. Progress by regulatory bodies through Assessment and Rating of services is inadequate and with the introduction of nannies would weaken further any attempts at monitoring quality provision across the sectors

Australian Childcare Alliance

10. Planning

PC Proposal

Recommendation 7.14
Local governments should adopt leading regulatory practices in planning for ECEC services. In particular, local governments should:

- Use planning and zoning policies to support the co-location of ECEC services with community facilities, especially schools.
- Use outcomes based regulations to allow services flexibility in the way they comply with planning rules, such as in relation to parking.
- Not regulate the design or quality of any aspect of building interiors or children's outdoor areas within the service property, where such regulation unnecessarily duplicates or extends the requirements of the National Regulations or other standards such as the Building Code of Australia.
- Not impose regulations that interfere with the operation of the ECEC market, such as by restricting the maximum number of permitted childcare places in a service.
- Provide clear guidelines for the assessment of development proposals in relation to ECEC services, and update these guidelines regularly.

ACA Concern

Government has commented that it views a planning system as interfering with private enterprise.
In a sector which is committed to the provision of quality care to children in their early years whilst ensuring accessibility for families wishing to participate in the workforce, the lack of a planning policy that would direct services to be built in areas of need is causing access and viability issues for families and services.

The taxpayer funds expended would have stronger impact if planning was introduced to ensure that the sector grew when and where demand was identified.

Vacancy figures are presented to government each week encompassing the entirety of sectors yet no use is made of the collation of these figures. Consequently the developers are not being made aware of where the needs are, continue to believe that in every jurisdiction there is a need for more child care places. This is incorrect and causing oversupply in some regions whilst areas of need still attract media attention as the wait lists grow.

Readily-available demographics data do not appear to be used by regulatory authorities, with councils often appearing to ignore the consequential impacts of residential developments on early childhood education and care services and schools.

ACA RECOMMENDATION

ACA recommends

- That the Australian Government introduces a coordinated Planning system to ensure that the needs of families wishing to return to the workforce are met. This could be similar to the 1997 model, where areas of need were identified and if developers built in those areas the services could access subsidy for families. If they chose to build in an area where demand was already met, the service would not be approved for government subsidy for families. (See Planning Advisory Committee information – Australian Government Budget 1997-98)

- That government assists with a recommendation for local governments to allow flexibility in relation to parking and other bi laws when the service is increasing licensed capacity to meet local demand.
- That the removal of maximum licensed capacity on services be considered further. This is creating school environments for children in their early years. The intent of service provision was for the child care facility to be the hub for young families in the community through interactions and support. With centres now being built and licensed for 500 children the community aspect of the original intent is substantially reduced. A more targeted approach could ensure that smaller services are built to satisfy demand.
- That clear guidelines for developers are developed but these should be in conjunction with needs based analysis through a planning model.

11. Qualification for carers of children 0 – 3 years

PC Proposal

Recommendation 7.4
Requirements for educators in centre-based services should be amended by governments such that:

- all educators working with children aged birth to 35 months are, as a minimum, required to hold or be working towards at least a certificate III or equivalent and be under the supervision of at least a diploma qualified educator
- services may determine the number of diploma qualified educators sufficient to supervise and support Certificate III qualified educators, as is currently the case in family day care services
- the number of children for which an early childhood teacher must be employed is assessed on the basis of the number of children in a service aged over 35 months.

ACA Concern

Quality of Certificate III graduates is at times less than adequate and their knowledge of children's development and care requirements can be questionable which places employers in the position of ensuring that the graduates have had sufficient technical, practical and hands on experience throughout their study period.

ACA RECOMMENDATION

ACA supports

- the recommendation that the number of ECT's to be employed is determined by the number of children in the service over 35 months. This will assist in addressing the chronic workforce shortages being experienced in many areas where services are forced to operate with a waiver as they cannot source an ECT

ACA does not support

- the overall reduction in qualifications for carers of children aged 0 – 3 years

.

12. Qualifications and ratios

PC Proposal

Recommendation 7.5

- Differences in educator-to-child ratios and staff qualification requirements for children under school age across jurisdictions should be eliminated and all jurisdictions should adopt the national requirements.

Recommendation 7.7

- To provide services with greater flexibility to meet staffing requirements.

ACA Concern

ACA is concerned that in some jurisdictions, state/territory governments will not address this recommendation and will continue to enforce higher than national standards on services, which dilute/distort/undermine the impact of a nationally consistent benchmark price and subsidy.

ACA RECOMMENDATION

ACA supports

- The recommendation (7.7) for the provision of greater flexibility for services to meet staffing requirements. At the current time there is no flexibility and services can be placed in the position where it is impossible to meet staffing requirements throughout the day when staff are absent or need to leave the premises because of an urgent situation.

13. Removal of ECEC assistance to some providers

PC Proposal

Recommendation 9.1

- In line with the broad level recommendations of the Productivity Commission's 2010 study into the Contribution of the Not for Profit Sector, the Australian Government should remove eligibility of not-for-profit ECEC providers to Fringe Benefits Tax exemptions and rebates.

State and territory governments should remove eligibility of all not-for-profit childcare providers to payroll tax exemptions. If governments choose to retain some assistance, eligibility for a payroll tax exemption should be restricted to childcare activities where it can be clearly demonstrated that the activity would otherwise be unviable and the provider has no potential commercial competitors.

ACA Concern

The current system under which the Not for Profit services can attract and retain educators and other staff members on incentives such as Salary Sacrifice without attracting FBT, is inequitable and unfair to educators within the sector, families who pay for wages and employers.

ACA Recommendation

ACA believes that government support through FBT exemption to Not for Profit services in an open marketplace imposed unfair additional cost on families using private services and interferes with competition (employment incentives) and undermines the fairness and integrity of the tax system.

The Australian Government provides exactly the same subsidy to families using privately owned or not for profit services, yet disadvantages those families choosing to use privately owned services by providing tax benefits to not for profit services.

Not for profit services will state that it will force fees up for families using their services if this tax benefit is removed. A check on service fees charged across the board shows clearly that in many instances the privately owned service in an area is providing a quality service with fees for families similar to the "not for profit services". In many instances the not for profit service is considerably higher in fees.

ACA recommends

- That FBT exemption to Not for Profit services be extended to the private sector.
- That FBT exemption to Not for Profit services ***is equivalent*** to that offered to the private sector whether it is full FBT exemption or NIL exemption.
- That an equitable proposal would be to exempt all child care services from income tax and payroll tax.
- That, should the private sector not gain income tax and payroll tax exemption, all not for profit services become liable for income tax and payroll tax except where there is no competitive advantage e.g. in rural remote areas where viability is threatened.