

**Regulation Impact Statement for Early Childhood
Education and Care Quality Reforms**

CHILDCARE QUEENSLAND SUBMISSION

To be read in conjunction with Annexure A

**‘Economic Impact Analysis’ Report
Prepared by Urban Economics
August 2009**

Executive Summary

Childcare Queensland (CQ) agrees with the Australian Government's desire to increase quality in the early years' services and is supportive of the Australian Government's intent to provide an affordable quality child care sector. However, CQ and its members believe that the National Quality Agenda is misdirected in its approach to achieving this outcome.

CQ believes that **insufficient information** has been provided in the Regulation Impact Statement and it is lacking any real substance on group sizes – especially relevant to Queensland; the mixing of age groups in centres; operational details and implementation of the Framework; process and regulation of regulatory expectations; inaccurate and incomplete costings; supply of labour; and Local Government issues that will arise due to proposed changes.

CQ engaged **Urban Economics** to prepare an independent cost and impact analysis for Queensland services. Urban Economics' report shows that Access Economics has not taken Queensland providers costs such as group sizes and ratios into account. The report also states: *"that the proposed National Quality Standard options pose a substantial additional cost to families in Queensland, which is likely to result in children leaving care, parents changing work arrangements and increased budget stress on families"*.

CQ requests that consideration be given to **ratios** across the service where qualifications and smaller **group sizes** are in place and provision for mixed age groups. There must be flexibility of age grouping to allow for children to remain within groups should there be insufficient available places in a service to transition them to the next age group.

Queensland service providers will suffer due to reduction in **licensed capacity** and increased staff required. Queensland centres, since 1991, have been constructed around smaller group sizes and therefore will not be as adaptable to a national system without greater financial loss.

Loss of licensed capacity will have a huge impact on provision of services. Average 6 places lost per service x 1,400 long day care services in Queensland = 8,400 lost places. These places will be scattered so the building of additional centres will not address the demand but will in fact exacerbate the already disproportionate provision of places across Queensland due to lack of planning.

CQ is concerned about the recruitment of suitably **qualified staff** to meet the projected requirement. CQ requests that the .5 of a professional be removed from this proposed process until 2020 and further information be provided to the sector regarding the position of services should they be unable to attract a suitably qualified Early Childhood Teacher.

The Child Care Rebate (CCR) will not cover additional **costs to all families** and CQ research has overwhelmingly shown that families cannot afford increased fees. CQ repeats its call for CCR to be paid weekly to help families cope with the cost of child care.

In conclusion, CQ cannot make a full and complete decision on this process until all details are available for discussion and consideration. We therefore strongly request that the Australian Government delay decision making on this consultation process until full details are provided for the sector and other stakeholders to make an informed decision. We request that the committee reporting to COAG recommend to COAG that it is unable to make a final decision on any proposals without providing accurate costing and processes.

National Quality Standard and Ratings Framework

Positives of the Regulation Impact Statement

1. Desire to increase quality
2. Government increased funding through CCR for families
3. Consistency across states/territories
4. Reducing overlap of regulations between accreditation and state regulations
5. Increased standards for Preschools, FDC and OSHC

Childcare Queensland Concerns

1. Insufficient information provided in the Regulation Impact Statement. Information, process and measurement not sufficiently developed for the sector to make a decision on proposed options. This document does not appear to meet the rules of COAG's Best Practice Regulation
2. Economic Analysis – incomplete
3. Increase in ratios
4. Reduction in licensed capacity;
5. Increased staffing – numbers; qualifications; training; (*Urban Econ. Page 16*)
6. Increased cost to families; families leaving the sector; informal care; staff as parents
7. Implications of the national standard approach (***Page 9 Access Economics***)
8. Surveys – insufficient information for parents in how to access; no opportunity for parents to comment; limited research questions
9. Implementation (*see page 16 Full Compliance Urban Economics*)

Detail of Concerns

1. Insufficient information provided in the Regulation Impact Statement (RIS)

Childcare Queensland finds that the information provided in the RIS for services to make an informed decision as to the way forward in the sector is inadequate. **Adequate information for an informed decision to be made is not available on:**

- a) Group sizes
- b) Mixed age groups
- c) Operational details of National Quality Framework
- d) Governance – National Quality Framework and State/Territory regulations

- e) Process and measurement of regulatory expectations
- f) Accurate costings – loss of licensed places not assessed in Queensland.
Underestimation of real costs to families
- g) Supply of ECEC labour supply *ECEC Workforce Issues An economic analysis of the proposed ECEC NQA page 15 2.4.2*
- h) Local Government repercussions on proposed changes. CQ lists some areas that must be addressed under the RIS if it is assumed that services will increase licensed capacity
 - i. Structural changes under the Building Code – older services under the 1991 regulations in Queensland will be required to conform with the current Building Code requirements for the entire centre should an application for any change be made. In most cases this will be impossible to achieve due to constraints of floor space and outdoor play areas
 - ii. Car parking restrictions. Car parks are allocated by number of staff employed at the service and have been constructed on the number of staff required at time of application
 - iii. Acoustic reports would need to be provided for increased licensed places for services in residential areas
 - iv. Traffic reports would be required if licensed capacity were to be increased

Childcare Queensland requests that the timeline for the Early Childhood Education and Care Quality Reforms be reworked to permit a true and accurate document to be released when all legislative requirements are available. This includes accurate costing and implications for families and the sectors.

2. Economic Analysis

Our members' concerns on the Access Economics Economic Analysis were sufficient for CQ to engage an external group, Urban Economics to assess the Economic Impact on services in Queensland.

The Urban Economics document *Economic Impact Analysis prepared on behalf of Childcare Queensland* is attached as an Annexure to this submission.

“On balance it is considered that the actual increase in costs would be steeper than projected in the Access Economics report and that the full costs would be higher than projected. It is Urban Economics’ opinion that parents would be more sensitive to these changes than considered in the report”. (Urban Economics Economic Impact Analysis page 16)

This report indicates that the costs to families in Queensland is greater than what was assessed by Access Economics and *“that the proposed National Quality Standard options pose a substantial additional cost to families in Queensland, which is likely to result in children leaving care, parents changing work arrangements and increased budget stress on families”.* (Urban Economics Economic Impact Analysis page 31)

In support of insufficient available information - *An economic analysis of the proposed ECEC NQA by Access Economics after Table E: Costs of LDC scenarios to 2020, states and territories (v) reports:*

“As the specifications of the regulatory arrangements are yet to be finalised, it is not possible to supply a reliable costing at this stage. Both the impacts on the cost of administering industry regulation (the current licensing and accreditation processes) and the change in regulatory burden on the industry cannot be reliably estimated until the parameters governing the new models are refined”.

In that same section Under Conclusions and implications Access Economics state further that:

“While the new standards will unequivocally confer benefits on children in ECEC – and these impacts will be higher where the increase in the level of quality is greater – there is an insufficient evidence base on which to reliably quantify these benefits or compare them between scenarios.”

It is also evident throughout the Access Economic document that research carried out overseas ‘hold only limited applicability to the incremental improvements in structural quality for universal programs proposed in Australia’.

The decision of the Federal Government to push this Agenda is to be questioned. All sound evidence supports quality however the implementation of such an ambitious project to be forced onto the sectors over a relatively short timeframe, will surely cause repercussions and fallout. This will be to the detriment of children, families, staff, licensees, the Australian economy and government. Areas of impact will vary. The most difficult to comprehend is that government will move forward with a “vision” understanding full well that the children, who will be forced out of care for financial reasons, will be the losers. These children will now join the many thousands from families across Australia who have been unable to access an early years learning program because of affordability issues caused by the introduction of the 24 hour limit on non work related families and the inability of the Child Care Benefit to keep pace with the real costs of provision of care.

Universal Access:

According to Access Economics Page 14 *“impacts of Universal Access on the NQA cannot be estimated – and hence not included in this modelling – as to a large extent they depend on the nature of the policy response”.*

Childcare Queensland’s position is that until full and proper costings and models can be assessed on the entire implementation of the National Agenda, government not proceed at the current pace but ensure that in accordance with the Council of Australian Governments ‘Best Practice Regulation’ that

“Governments will establish and maintain effective arrangements at each level of government that maximise the efficiency of new and amended regulation and avoid unnecessary compliance costs and restriction on competition by

- (a) Establishing and maintaining “gate keeping mechanisms” as part of the decision-making process to ensure that the regulatory impact of proposed regulatory instruments are made fully transparent to decision makers in advance of decisions being made and to the public as soon as possible*

3. Increase in ratios – National Standards

0 – 2 years 1:4 or 1:3. Queensland has provided families with the 1:4 ratio for babies either 0 – 2 (max 8 per group) or 0 – 15 months (max 8 per group) and toddlers 15 months to 2 .5 years (max 10 per group).

CQ believes that the above ratios in conjunction with minimum group sizes provide quality care whilst recognising the developmental needs of both infants and toddlers. We believe strongly that reverting to a 0 – 2 age grouping will be a regressive step for Queensland’s children.

Play pens and other methods of separation will need to be reintroduced to ensure the safety of our smaller babies. When these children commence “toddling” their social, emotional, cognitive and physical needs are very different to those of our infants. Toddlers in the main are sleeping once during the day and all of this group of children invariably go down to rest together. They are extremely social, active, inquisitive and demanding. They have a higher tendency to bite and hurt their friends as they have not yet mastered their vocabulary to deal with perceived conflict which usually occurs during play.

These children can cause considerable harm to smaller infants as they are not in control of their jaw pressure. A bite from a toddler on an infant can cause considerable damage and require medical reconstruction.

Infants, and particularly babies up to 9 months, remain in the pattern of sleep and feeding preferred by their mother or primary caregiver. It is rare in this infant group, that all 8 babies will be awake together. This enables staff to spend increased individual time with these small babies. When there are toddlers in the room, the calm environment is disrupted by their demands, as is customary for this age, conflict with others and generally more noise.

CQ considers it a regressive move for babies and toddlers to be grouped together from 0 -2. Safety of the infants is a primary concern plus the inability of staff to spend individual time with the infants.

CQ considers it unreasonable to have toddlers restricted by the slower program and intense care required for nurturing, interacting and attending to the individual needs of our smaller infants. An active toddler must be offered a program to ensure that they progress through their developmental stages appropriately without constraints.

Staff in Queensland who have not been exposed to working with a mixed group of 0 – 2 infants and toddlers will find this change extremely onerous. A small sample of comments from these teachers revealed concern for safety, ability to meet the needs of the children to the extent that they now do, and parental concern for safety and hygiene.

Childcare Queensland requests that in order to maintain our division in the 0 – 2 years age group, consideration be given to the fact that our services have limited group sizes and our buildings have been constructed to meet the needs of both of these groups appropriately; e.g. sleep room, nappy change facilities, indoor floor space, outdoor play areas, equipment, toilets.

Childcare Queensland requests that with small group sizes – 10 toddlers aged 15 months (walking) to 2/2.5 (secure enough to move to a larger group) this group be maintained as is currently occurring in Queensland and the Australian Capital Territory 10 children and two staff – one Qualified Diploma staff member and 1 Qualified/studying Cert 111 Assistant.

This will continue a quality practice and will not increase costs for families where this has been in operation. E.g. Loss of two licensed places will not occur. This is vital as the highest demand for child care places are in the babies and toddler age groups. Queensland has considerable vacancies in older groups (last CQ demographic survey average vacancies of 23% in the 3 – 5 age groups of the respondents).

Whilst other states have stated that they will not be moving to group size, CQ believes that a similar option must be permitted in Queensland where services may choose to work within small group sizes. Whilst the RIS states that there was insufficient evidence to support group sizes, there is considerable research that does and the initial National Agenda document referred to quality provision and the Iron Triangle – qualifications, ratios and group sizes.

Childcare Queensland therefore requests that consideration be given to ratios across the service where qualifications and smaller group sizes are in place.

Childcare Queensland seeks provision for mixed age groups.

Services being built in Queensland in the future may choose to construct their buildings to comply with regulations set within the National Standards for larger group sizes.

There must be flexibility of age grouping to allow for children to remain within groups should there be insufficient available places in a service to transition them to the next age group.

4. Reduction in licensed capacity

Queensland will suffer the inadvertent consequence of losing licensed capacity with the introduction of higher staff: child ratios.

Queensland has since 1991 constructed buildings around the smaller group sizes permitting 3.25 unencumbered space for each child in each group. Under the proposed ratios, additional children cannot be added to our group sizes. A survey of several size services show that huge losses of licensed capacity will be enforced.

The financial repercussions of this are unsustainable – both for families and licensees.

Please refer to Urban Economics report for Childcare Queensland.

Loss of places in a 75 place centre (with babies) under Option 3

Babies 0 – 15 months	8	0 loss of places
Toddlers 15 m – 2.5 years	10	-2
Junior Kindy 2.5 – 3 Y	16	-1 with additional staff member
Senior Kindy	16	0 (built to cover 16 children @3.25sq/m)
Pre School	25	- 3
Total licensed places lost =		6 per day = 30 places per week.
Under option 4 this would be		14 per day = 70 places per week with 2 additional staff

Loss of places in a 75 place centre (without babies) under Option 3

Toddlers 15 m – 2.5 years	10	-2
Junior Kindy 2.5 – 3 Y	16	-1 with additional staff member
Senior Kindy	24	- 2
Pre School	25	- 3
Total licensed places lost =		8 per day = 40 places per week with 1 additional staff member
Under option 4 this would be		11 per day = 55 places per week with 2 additional staff

Loss of places in a 64 place centre (without babies) under Option 3

Junior Kindy 2.5 – 3 Y	16	-1 with additional staff member
Senior Kindy	24	- 2
Pre School	25	- 3
Total licensed places lost =		6 per day = 30 places per week with 1 additional staff member
Under option 4 this would be		10 per day = 50 places per week with 1 additional staff

Loss of places in a 58 place centre (with babies) under Option 3

Babies 0 –15 months	8	0
Toddlers 15 m – 2.5	10	-2
Junior Kindy 2.5 - 3	16	-1 with 1 additional staff member
Pre School	24	-2
Total licensed places lost =		5 per day = 25 places per week with 1 additional staff member
Under option 4 this would be		11 per day = 55 places per week with 1 additional staff

If a service chooses not to add the additional staff member in the 2 – 3 room in all of the above options this would incur the loss of an additional 5 places in each scenario.

All of the above options will also include the additional cost of an early childhood teacher and .5 of a professional.

Increased fees: Urban Economics have undertaken on our behalf, a cost benefit analysis of the actual cost of the proposed changes on Queensland families. This report shows that the actual costs to families will be, at a conservative level, Option 2 \$16 per child per day; Option 3 \$16 per child per day; Option 4 \$21 per child per day. (Urban Economics: Economic Impact Analysis Page 28). Bear in mind that this is for a 75 place service at 100% occupancy and costs will be higher for services with less licensed capacity and lower utilisation.

All costs will be passed on to families.

This must occur as leasehold and freehold commitments must be met by operators of services.

The repercussions on businesses if occupancy declines due to raised costs will impact on the entire community. Leases are set at a cost per licensed place. Investors will not be prepared to accept a lower rental figure than is signed in contracts. Banks are already scrutinising the effect proposed changes may have on their clients and prospective clients. Leases are currently signed for a set number of licensed places. A legal minefield could commence if signed leases are no longer indicative

of the true licensed capacity of the business. Service operators could be in default with their financial institutions if loans have been granted on licensed places.

An economic analysis of the proposed ECEC NQA states on page 24 in discussing a review of literature on class size reduction from the School Board of Broward County Florida that

“The review highlights the lack of rigour in the research conducted in the field and argues that there is sufficient evidence on which to base a policy case for reductions in class size, going so far as to argue that ‘merely decreasing class size without fully understanding the full effects of CSR (class size reduction) on achievement may be more costly than beneficial’.”

The Australian Government must consider the role they will play in impacting negatively on the viability of small businesses providing a valuable community service across Australia.

5. Increased staffing

Childcare Queensland is supportive of the Australian Government’s intent to provide an affordable quality child care sector.

These increases will be a financial impost on families and whilst the Government does say that 50% of increases will be paid through the CCR this appears to be careless with the facts.

Families who will not be receiving the benefit of additional CCR payments are those who are not meeting the work test and those families who have already reached their maximum rebate of \$7778 per child per annum. These two cohorts will amount to a considerable number of children who may be disadvantaged by being withdrawn from an early learning program.

Additional staffing costs will be passed on to families. Increases will be created by:

- Additional staff to meet ratio changes
- Modernisation of the Award
- Employment of a 4 year trained Early Childhood Teacher
- Employment of at least .5 of an additional professional. (Many services believe that they will not be able to attract .5 of a professional so will in fact be forced by default to employ 1 whole additional professional)
- In the event of licensed capacity being reduced the additional cost for the lost places per day
- Training costs for new staff and PD costs for new staff
- Increased wages will result in some centres being pushed over the limit into payroll tax
- Increased payroll tax for operators
- Increased relief staff to provide cover for the additional holidays, sick days and professional development days.
- Summary of proposed wage increases attached.

At this point we believe it fair to point out the unequal playing field in the sector –

The Community sector:

- Do not pay payroll tax
- Do not pay tax
- Have tax deductions for staff through salary sacrifice
- Pay minimal rent per annum – mostly as low as \$1.00 per annum
- Access additional funding through gambling and other grants
- Charge similar fees to the private sector and in some cases charge families higher fees
- Receive grants for refurbishing their buildings

Most of these costs are met by taxpayers – and these taxpayers include child care operators who contribute a huge amount of money each year to government by way of various taxes.

Childcare Queensland believes that it is improper and unfair to compare the highly subsidised community sector to the totally unsubsidised private sector that is in fact providing a community service for government **AT NO COST** to Government.

We need government to work with us, not against us, to ensure that this sector has the ability and funds to provide the high quality service to children that we all desire whilst remaining affordable for families to access.

The approach that the private sector provides inferior quality care must also be addressed as this statement is inaccurate and highly offensive to private operators, and they are the majority, who work tirelessly for their staff, their families and the community.

Cost increases will obviously have a greater negative impact on families who choose to access private services.

Urban Economics report for Childcare Queensland Page 16 states:

“It is unclear what the provisions or penalties would be for non-compliance should centres be unable to find additional suitably qualified staff by the required deadline. Presumably such centres would not be able to operate to full capacity. This would have further implications on availability of places in a given locality, cost of places and choice of childcare type.”

Childcare Queensland has grave concerns for the sector regarding the recruitment of suitably qualified staff to meet the increased staffing requirements.

CQ asks that the .5 of a professional be removed from this current process and delayed for further discussion until after 2020 when a full perceptive of the implication of attracting 4 year trained ECT's into the sector is evident.

CQ requests that there be further information provided to the sector regarding the position of services should they be unable to attract a suitably qualified ECT.

Whilst we agree that this may be more difficult in rural and remote areas, it could be equally as difficult in inner city, regional and suburban areas.

6. Increased cost to families and financial impact on the community

This is the most concerning aspect of the National Agenda. Government admits that the increased quality standards will add costs to families' fees and coerce trade unions to push for higher wage increases. This submission has already dealt with the fact that CCR will not cover additional costs for all families.

Information gathered from families throughout Queensland overwhelmingly supports the case for no increased fees. Families are supportive of their early learning centres and are aware that the sector is being pushed to the limit with these proposed changes.

We believe that there will be considerable backlash against government should this proceed without regard for the actual increases to be borne by families.

Lower income, non work related families and dysfunctional families will need additional financial support to ensure that they can provide their child with a reasonable period of time of early learning in a formal setting. The cost of care at the moment is difficult for these families.

Failing this, these children will be attending their first year of formal school without the benefit of this valuable program. We are aware from research that these children most often struggle with concepts, interactions and the skills needed for them to maintain pace with a group of highly motivated children who have experienced several years in an early learning setting.

Children of working families will also suffer as Childcare Queensland believes that there will be an increase in informal, unregulated, backyard care. The affect of increased fees, instead of creating a higher quality early learning sector, will create early learning for the wealthy with children of the financially challenged, missing out.

Staff with children in early learning services have stated that they will leave the child care sector as employees should their fees increase. The balance is extremely fine for working families but the double jeopardy for the sector is the loss of qualified staff and the loss of their children to the early learning program.

Our families have expressed anger and concern over the proposed increases and we understand that thousands of faxes have been sent through to Premier Bligh and to Minister Ellis's office expressing this concern and asking for the progress of this initiative be halted until accurate and complete information is provided for the sector and families to gain sufficient data upon which to make an informed decision.

Licensees will be unable to absorb additional costing incurred by the National Agenda as we are also confronted with anticipated increases following the modernisation of the Award. Licensees in Queensland have already absorbed maximum costs over the past wage increases and increase of qualifications as is evidenced by the low average fees documented.

Child Care Benefit

Government funding for families through the Child Care Benefit system is to be commended. This has assisted families since 1991 to return to the workforce and to place their children into a regulated, accredited service.

In 2000, the CCB increase was substantial (more details below); the reason for this increase was to catch up for the freeze on CPI for a three year period. It is evident that the actual costs of provision of

care have risen sharply over the past 9 years and a “one off” increase in CCB over and above normal CPI adjustments must be considered. Families are being affected by bracket creep and have moved to much lower percentages of CCB provision whilst their actual costs of living have risen – hence creating an unaffordable sector once again.

Child Care Rebate

Childcare Queensland requests that this rebate be paid weekly off the parents’ fees rather than have them wait three months for their refund. Parents are complaining about “unaffordable childcare” as they do not see that refund as being for childcare assistance when they must find the weekly fee amount out of their wage packet. With the long day care sector now on CCMS it would be prudent for government to move to the weekly system to divert the impact of increased costs caused by the introduction of the National Agenda.

Financial Impact on the community

When early learning services become unaffordable for working families, this will affect the entire workforce. Casualisation of positions for young mothers in the workforce has been supported by government. Families can spend quality time with their children whilst maintaining their workforce commitments to return to closer to full time hours when their children attend school. The cost of being in the workforce is not minimal and a working parent may find that there is very little left for the household after transport, clothing and childcare are deducted.

Should child care services become unviable, as we have already witnessed across Australia, the stress caused by the displacement of families and staff will be significant in those communities. The licensee and their family must also be considered during such a tumultuous time. Childcare services do not go bankrupt overnight, they struggle on in an attempt to remain afloat and sometimes this period is more stressful for all involved than when the actual closure occurs.

In the period 1997 -2000 closures throughout Australia were occurring on a regular basis – both community and private. The government of the day had frozen CPI increases on CCB for a period of three years. The cost implications on families of that freeze will be minor compared to the cost implications of the proposed changes under the National Agenda.

7. National Quality Framework

The long day care sector has experienced an extremely subjective system that has inhibited passion and imagination in staff and licensees. Overlap of state and Federal legislation has been burdensome and conflicting.

A change is called for. Childcare Queensland’s concern is that the RIS does not provide licensees, staff or families with sufficient information on which to base a sound conclusion. Details are at best “sketchy” with no insight into the requirements of this system, what the measurement of quality will be and by whom it will be carried out. We understand that with state/territory regulations included in the process the system could be cumbersome at best.

Increased information provision to parents is welcomed however this information is ineffective if it is based on website information of fees and outcome of assessment. Families must be encouraged to visit a service, meet the staff and understand the Philosophy to ensure that these meet their

requirements for the important early years of their child's life. The line of approach that this document is providing will not ensure that parents are well informed on quality and care. The Raising Children Network and the Centre for Community Child Health are providing quality information for families and that information could be expanded upon to assist families. Quality is difficult to define on paper and the Access Economics document points out that qualifications do not mean quality.

Additional costs to services and ultimately families are not available in *An economic analysis of the proposed ECEC NQA by Access Economics*. The process appears to be geared to ensure that court proceedings can be actioned against perceived offenders. Whilst Childcare Queensland agrees that high/excellent quality must be expected, it is frightening to believe that licensees may find themselves involved in court action should a staff member fail during an inspection due to nerves, stress or fear to carry out her/his duties appropriately.

Governments need to ensure that this system does not become an attempt at driving quality with a "big stick" approach rather than an approach that will support services to continually strive towards improving quality through professional development, higher standards and community involvement.

Childcare Queensland, after thoroughly assessing the information provided, cannot make a decision on the ratings framework proposals until all details are available for discussion and consideration. Our recommendation is that the Early Childhood Development Steering Committee advises COAG that they have an obligation to ensure that complete and transparent information is provided to all stakeholders before those stakeholders can be expected to make a decision on options. The Queensland position must be explored further.

Childcare Queensland for the reasons raised above, has no option other than to choose:

- **Enhanced Regulatory Arrangements:
Option 1**
- **Quality Rating System: Option 1**

Gwynn Bridge
President
Childcare Queensland