

TORONTO STAFF REPORT

June 9, 2006

To: Community Services Committee
From: Brenda Patterson, General Manager of Children's Services
Subject: Australian Child Care Model

Purpose:

This report provides information on the Australian child care model.

Financial Implications and Impact Statement :

This report has no financial implications and is provided for information purposes only.

Recommendations:

It is recommended that this report be received for information.

Background:

At its meeting of April 25, 26, and 27, 2006 Council requested the General Manager, Children's Services to report on the Australian child care model and what alternatives it may offer. This report provides an overview of the Australian child care system and analyzes benefits and concerns regarding various components of the system. Sources used include the OECD's Country Note on Australia, OECD Background Report on Early Childhood Education and Care Policy in Australia, the Australian Government's Department of Families, Community Services and Indigenous Affairs website, and "A Cautionary Tale from Australia", CCSD Briefing Session Notes. A detailed bibliography is attached to this report as Appendix 1.

Comments:

Child care in Australia is supported through a system of direct federal child care payments to families, direct federal funding for start-up and operating costs to child care operators, provincial or territorial licensing regimes, a national quality accreditation process, and a system of guaranteed wages and employment conditions for staff.

In 1991, Australia made start-up funding for child care programs available for commercial operators, which has changed the child care system dramatically. Before 1991, child care was a predominantly non-profit sector with a publicly owned child care infrastructure, not unlike the situation in Canada and most other countries. The resulting shift in auspice has led to what has been described as the “corporatization” of child care. The implications of this shift are reviewed in further detail in this report.

Child Care Benefit

Australia’s federal Family Assistance Office provides a Child Care Benefit to families to assist with child care costs. This benefit is a combination of fee subsidy and tax benefit. Families have the option of reducing ongoing fees by directing the benefit to the child care provider, or having a lump sum refund at the end of the financial year after filing taxes. The amount of the benefit depends on the family’s estimated income, the type of child care used, and the age of the child.

For example, families who earn \$33,361 or less are eligible for the maximum benefit of \$144 per week if they use “approved care” and meet the eligibility requirement that both parents (or the lone parent) are working or looking for work, training, studying or have an exemption. Approved care is a child care provider that “participates satisfactorily in the Australian government funded quality assurance program”. The benefit for school age children is 85 % of the benefit rates for younger children, not yet in school.

Families with higher incomes, (over \$100,000) still qualify for a minimum benefit of about \$24 per week. This minimum benefit is also available for “registered care” provided by family members, nannies and some private pre-schools and occasional care centres to all families regardless of income.

Although, the average weekly child care fee in Australia was \$220 in 2005, typically fees are as high as \$280 or \$300 per week. Child care may be even more expensive, as some programs in wealthier areas charge up to \$100 per day, or \$500 a week for child care. Thus the costs of care have increased to the extent that the maximum benefit rate of \$144 per week for low income families does not cover the full costs of child care.

The Australian system provides some flexibility to parents in terms of hours of care, how the subsidy is utilized and which type of child care is subsidized. However, many families are generating debts under this system, which is based on an estimated income. In addition, some operators offer loan options for child care fees which are repayable when the lump sum benefit is paid out at the year end. When taxes are filed at the year end, an increasing number of families are unable to re-pay amounts owing to the government or operator.

Operator Funding

The federal government in Australia provides a variety of “Community Support Payments” directly to operators of child care programs, including:

- Set-up Assistance
- Sustainability Assistance (operational funding)

- Quality Support, and
- Inclusion (special needs) and Professional Support (staff training).

A key policy difference in Australia is the provision of start-up funding to commercial operators. Most other countries have limited start-up funding to non-profit child care operations, for example, the Best Start initiative in Ontario limits new programs to non-profit operations. This difference in Australia's funding policy has radically changed its child care system.

Impacts of Corporate Growth

A much criticized result of Australia's policy decision to provide start-up and ongoing funding to commercial programs is the "corporatization" of child care in Australia. In 1991, the child care sector was 85% non-profit. By 2005, 70% of the sector was commercially owned, with 25% of operations owned by one share-holder company.

Concerns related to an increased commercial presence in the child care sector include:

- trading off quality of services for increasing profits to shareholders;
- a number of incidents indicating quality concerns at the largest operator's centres;
- uneven access to services which tend to locate in wealthier and more densely populated areas;
- employing staff who are exempt from minimum wage standards to lower costs;
- larger centralized services which are less accessible to families and less connected to communities; and
- child care fees are increasing at 5 times the rate of inflation.

Despite growth in the corporate sector, Australia still only has child care services available for 20% of children. In addition, there are inequities in access for services for younger children and services in more remote areas, since the higher costs of these and are not conducive to profit-making.

State & Territorial Licensing

There is a range of legislation and licensing regimes across Australia as these are established at the state or territorial level of government. While all states regulate "long day" centres for younger children, only some states regulate home care programs, and only one state regulates school age programs.

This range of regulation is similar to the Canadian situation, however, in Ontario, child care for children age 0 to 12 years is regulated, for both centre-based and home-based care. Overall, staffing ratios in provincial regulations are higher in Canada than in Australia, indicating a higher level of supervision for children.

In Australia, child care is regulated in community services departments in most states and territories, however, two states include child care in their Education departments, which may reflect more of a focus on early learning aspects. In Canada, child care is generally regulated by provincial community services or children services ministries.

Quality Assurance

Australia is one of the few countries that has a nationally funded quality assurance program for child care. Child care programs must register with the National Childcare Accreditation Council and meet the minimum requirements to become approved for federal funding. The Council Chair and Board are appointed by the federal Minister for Family and Community Services.

Australia's national Quality Assurance system has three streams: Family Day Care (home based), Outside School Hours Care (school age) and the Quality Improvement and Accreditation System (QIAS) for "long day care centres" (centre-based).

While the Australian quality assurance system is somewhat comparable to Toronto's Operating Criteria approach in terms of general purpose (continuous improvement) and process (self-assessments), Toronto's approach is much more in-depth. For example, under the QIAS system a new operator has a peer visit and evaluation conducted and then a self-study report is due every 2.5 years thereafter. Whereas Toronto provides annual site visits by trained consultants who complete a written site report.

In addition, QIAS provides a less intensive framework of 7 Quality Areas and 33 principles, whereas Toronto's Operating Criteria is more vigorous and provides specific program requirements and improvement targets.

Wage Guarantees

Australia's *Workplace Relations Act* creates a national system of employment standards for various industries and sectors, including child care. Improvements to wages and other employment conditions are established through the Australian Industrial Relations Commission. Unlike the situation in Ontario, the Australian Commission's decisions may establish minimum guaranteed wages in the child care sector, regardless of whether the employer is commercial, non-profit or public sector.

The table below is an example of a wage award that applies to child care workers in Victoria State. The award also specifies "Levels" which reflect the qualifications and responsibilities associated with various staff positions.

RATES OF PAY

Effective as of the first pay period on or after 1 August 2005

(\$ amounts are in Australian currency)

Community & Child Care		
Level	Full Time / Part Time	Casual
Level 1	\$12.93	\$16.16
Level 2	\$13.52	\$16.89
Level 3	\$13.87	\$17.34
Level 4	\$15.09	\$18.86
Level 5	\$15.71	\$19.64
Level 6	\$16.00	\$20.00
Level 7	\$16.45	\$20.56
Level 8	\$17.63	\$22.04
Level 9	\$18.88	\$23.60
Level 10	\$19.97	\$24.96
Level 11	\$20.64	\$25.80
Level 12	\$22.41	\$28.01

Source: www.wagenet.gov.au/WageNet/templates, see “Industry Sector Summary, Health and Community Services Industry Sector – Minimum Wage Order – Victoria 1997”

Commission awards may also prescribe other employment benefits, such as sick leave, compassionate leave, and daily meal and rest times. For example, employers of all child care staff, including home care workers, must contribute about 3% of salaries to a national pension fund. Awards may also address employment status and extra pay for work after extra hours.

While general employment standards laws apply to child care staff in Ontario, industry-specific wage levels and benefits are not established as they are in Australia. The province of Ontario does provide some wage subsidy funding, however, there are no wage scales attached to this funding. The City of Toronto has a fair wage policy which applies to construction contracts, and a similar model could be adapted in service provider agreements for child care services to ensure minimum wages are paid to staff.

Comparative Analysis of Australian and local Child Care Systems

The Australian child care system has both strengths and weaknesses when compared to the local system here in Toronto. Australia’s system has some nationally administered programs which provide for some equity and quality standards across the country. Specifically, the national quality assurance program in Australia encourages child care services to meet minimal standards across the country. However, Toronto’s Operating Criteria offers more in-depth supports to meet quality standards.

Australia also has national funding for special needs services and staff training. Funds are flowed to community agencies to provide both these services across the country which creates a national system to some extent in these areas. In Toronto, provincial funds are allocated to provide special needs services, however, there is no envelope of funding specifically for staff training provided by other levels of government.

Both Canada and Australia have a range of provincial or state/territorial licensing regimes. However, Canada's regulated system requires higher staff ratios and training requirements in most provinces, Ontario being one of the more stringent. Thus a quality gap exists in some areas of Australia that may not be fully addressed by the national quality assurance system.

The Australian Industrial Relations Commission creates a system which guarantees minimum wage and employment conditions for child care workers, regardless of the type of employer. This is an advantage in terms of stability for the system that may well be worth adapting in Toronto or provincially.

Child care experts have cautioned against following Australia's decision to provide start-up funding to commercial operators. This policy change has resulted in higher fees being charged to families, but not in meeting the demand for child care services as intended. Waiting lists of two or three years for child care services are common in high demand areas. In addition, concerns related to lower quality of services and employment conditions due to an increase in commercially-provided services are contrary to building a stable, high quality child care system.

The Australian fee subsidy system does provide some flexibility to parents in terms of the choice to direct subsidy to the provider to reduce fees or to take up a lump sum payment at the year end. However, an increasing number of families are unable to pay off debts related to the lump sum benefit option. In addition, the maximum child care benefit available to low income families only covers 70% of market fees charged, which means many families are unable to pay fees. While Toronto's fee subsidy system does have a waitlist, higher subsidy amounts are provided to the lowest income families to ensure access to services.

Conclusions:

This report provides an overview of the Australian child care system and compares aspects of the system with Toronto's. While the Australian system offers some options for the City to consider in strengthening its child care system, e.g. establishing minimum wage guarantees, other aspects have disadvantages. Other components of the system, such as a national quality assurance and staff training program, would require policy changes at other levels of government.

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List of Attachments:

Appendix 1 - Bibliography

Appendix 1: Bibliography

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