

Submission

By



To the

Ministry of Social Development

On the

**'A Five Year Action Plan for Out of
School Services' Consultation Document**

22 July 2007

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**SUBMISSION BY BUSINESS NEW ZEALAND ON THE 'FIVE YEAR ACTION
PLAN FOR OUT OF SCHOOL SERVICES' CONSULTATION DOCUMENT
22 JULY 2007**

1. INTRODUCTION

1.1. Business New Zealand welcomes the opportunity to comment on the 'Five Year Action Plan for Out of School Services' Consultation Document [hereafter referred to as 'the Paper']. Business New Zealand acknowledges the significant role that Out of School Services (OSS) can play in supporting labour market participation by parents and in promoting positive child development, especially for children from disadvantaged backgrounds. Given persistent skill shortages and the potential to further enhance labour market participation by parents, the review of OSS is timely and appropriate.

2. RECOMMENDATIONS

2.1. Business New Zealand **recommends** that:

- instead of leaping to national standards as the preferred policy solution, the experts group looking at OSS quality and workforce requirements should first consider what other non-regulatory steps are available to raise quality (such as information provision, self-regulation and industry-led service codes);
- the experts group be required to consider the relative costs and benefits (for caregivers, OSS providers and the Government) and access impacts (particularly for poorer families) of any regulatory options;
- eligibility for the Out of School Care and Recreation (OSCAR) Subsidy remain focused on people in employment or recognised training (and the other current entitlement criteria);
- the review of the administration and funding of Out of School Services look at:
 - streamlining the process of applying for parental subsidies;
 - improving the level of service provided by the administering agency;
 - the adequacy of current subsidy rates and structures; and
 - which agency is best placed to administer the subsidy system

- the review of OSS funding give preference to payments to consumers, rather than providers; and
- the review of OSS funding take into account the interaction with Working for Families abatement thresholds.

3. COMMENT

3.1. Business New Zealand is supportive of a number of the proposals outlined in the Paper. We particularly welcome the proposals to:

- Increase diversity and choice in provision, by enabling small-scale and home-based services to access funding; and
- Strengthen the focus on the needs of children with disabilities and significant disadvantage.

3.2. We also acknowledge that there may be benefits in having a focused discussion about quality in the OSS sector and the sector's workforce needs. However, we would urge the Ministry of Social Development and the expert advisory group to keep in mind the need to minimise additional regulatory burdens on OSS providers. We also have some reservations about proposals to broaden the eligibility criteria for OSCAR (Out of School Care and Recreation) Subsidies to include parents who are not in employment and training. These reservations are outlined in more detail below.

Minimising compliance and regulatory costs for OSS providers

3.3. We appreciate that the Government wishes to have more assurance of quality and security of supply in the OSS sector. However, we were concerned that the 'problem definition' outlined on pages 6 and 7 of the Paper appeared to make some questionable assumptions, namely:

- The relatively low take-up by OSS providers of the Child, Youth and Family Standards for Approval for OSCAR programmes necessarily means that there is a quality problem in the OSS system; and
- The introductory of universal regulatory standards around staff training, supervisory ratios, site requirements and programme content will necessarily lead to higher quality care.

3.4. Establishing broad-based regulatory requirements *may* give parents a greater sense of security around the care their child is receiving. However, this sense of security may actually be misleading, and may come at the cost of choice, diversity and innovation in the sector. Higher regulatory requirements are also likely to increase costs to

parents and/or the Government and could make it harder for providers to meet demand or recruit staff.¹ In this context, we note the OECD's comments on recent reforms to early childhood education and care (ECEC) in New Zealand that:

- “rising regulatory standards are constraining supply”² and
- “the rising requirements for staff qualifications could make it harder for the children who would benefit most from high quality ECEC to get access to it.”³

- 3.5. We absolutely agree that there could be merit in convening an expert group to consider quality in the OSS sector and the sector's workforce needs. We would **recommend**, however, that instead of leaping to national standards as the preferred policy solution, the experts group should first consider what other non-regulatory steps are available to raise quality (such as information provision about the level and types of services on offer, self-regulation and industry-led service codes).
- 3.6. We would also strongly **recommend** that the experts group be required to consider the relative costs and benefits (for caregivers, OSS providers and the Government) and in particular the access impacts (particularly for poorer families) of any regulatory options.

Broadening eligibility criteria for parental subsidies

- 3.7. The OSS Consultation Paper proposes providing “subsidies to all families who earn less than a certain amount and use approved Out of School Services, regardless of their employment status.” This proposal mirrors (albeit in a narrower form) a recommendation of the Families Commission that parental subsidies should move:

“from subsidies linked to employment status and individual family circumstances, to a universal funding solution related to hours of

¹ See, for example, Steven Rifkin's comment in “Public Investment in Education: Lessons for Child Care Policy” in Diane Paulsell, *The Economic Rationale for Investing in Children: A Focus on Child Care* (Washington DC: Mathematica Policy Research, 2001): “Requirements for prospective teachers and staff including mandatory degrees and formal examinations should be adopted with great care — While a move to professionalize teaching or day care could improve the quality of applicants and training, it may also reduce the supply of teachers without a corresponding improvement in quality.”

² Organisation for Economic Co-operation and Development, *Economic Policy Reforms: Going for Growth* (Paris: OECD, 2007), p.42

³ Organisation for Economic Co-operation and Development, *OECD Economic Surveys: New Zealand* (Paris: OECD, 2005), p.118

provision. Services should receive adequate funding to enable OSS to be offered to all families for a minimal cost.”⁴

- 3.8. We do not consider that a convincing case has been made for the widening of the OSCAR Subsidy eligibility criteria, since:
- Weakening work incentives may act against the interest of children, as increased parental employment tends to reduce child poverty; and
 - The major problem with the current subsidy system appears to be poor public knowledge of its availability, limited understanding of the eligibility criteria, and complicated application processes. Take-up could be improved by better communication and improved allocation mechanisms.
- 3.9. We would therefore **recommend** that eligibility for the OSCAR Subsidy remain focused on people in employment or recognised training (and the other current entitlement criteria).⁵

Funding and administration of OSS

- 3.10. Reviewing the structure of funding for OSS seems sensible, given the concerns expressed by parents and caregivers in the Families Commission’s research into OSS usage. The findings of the Commission’s research strongly suggest that there is a need to:
- Streamline the process of applying for public subsidies;
 - Improve the level of service provided by Work and Income; and
 - Assess the adequacy of current subsidy rates and structures, and of current parental income thresholds.
- 3.11. In considering the appropriate levels of subsidy rates, structures and parental income thresholds, it would be worth exploring the impact of indirect costs and other potential barriers to participation (e.g. transport costs for parents who do not have an OSS provider nearby).
- 3.12. Given that a significant proportion of working people have little engagement with Work and Income, it may also be worth considering which agency is best placed to administer public subsidies to parents

⁴ Families Commission, *When School's Out: Conversations with Parents, Carers and Children about Out of School Services*, (Wellington: Families Commission, 2007), p.71

⁵ Other OSCAR Subsidy criteria are that the main caregiver is seriously ill or disabled, paid a Child Disability Allowance for any of their children, or caring for a child that is in hospital.

for OSS services. One alternative may be the Inland Revenue Department.

- 3.13. As a general approach, we prefer that subsidies be paid to consumers (in this case, parents and caregivers) rather than to providers. This approach maximises consumer choice and flexibility. However, we are conscious that increased payments to parents may trigger abatements in Working for Families tax credits. We would **recommend** therefore that any redesign of funding for Out of School Services take into account the interaction with Working for Families abatement thresholds.

APPENDIX 1

BACKGROUND INFORMATION ON BUSINESS NEW ZEALAND

Encompassing four regional business organisations (Employers' and Manufacturers' Association (Northern), Employers' and Manufacturers' Association (Central), Canterbury Employers' Chamber of Commerce, and the Otago-Southland Employers' Association), Business New Zealand is New Zealand's largest business advocacy body.

Together with its 67 member Affiliated Industries Group (AIG) which comprises most of New Zealand's national industry associations, Business New Zealand is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy on behalf of enterprise, Business New Zealand contributes to Governmental and tripartite working parties and international bodies including the ILO, the International Organisation of Employers and the Business and Industry Advisory Council to the OECD.