



# Guardian Childcare and Education

Submission to the Productivity Commission

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## ABOUT GUARDIAN CHILDCARE AND EDUCATION

We operate over 170 long day care services and 1 OSHC service. We focus on high quality education and care for the more than 19,000 children who attend our centres.

We have one of the highest NQS quality ratings among large, long day care providers with 30% of the centres we have taken through the Assessment and Rating process being rated Exceeding (over 95% are Meeting or Exceeding).

Our average occupancy levels are well above industry averages.

We predominantly operate in metropolitan areas but have recently expanded into regional markets and have services in Albury, Townsville, Murwillumbah, Central Coast NSW, Sunshine Coast QLD and regional Victoria.

We are private equity owned and have not paid dividends.

## INTRODUCTION:

I have been responsible for directly overseeing the operations and viability of more than 800 services in metropolitan, regional and remote locations in all states and territories for both for-profit and non-profit organisations over the past decade.

I have been the CEO of Guardian Childcare and Education, a high quality 'for-profit' long day care provider, for almost 4.5 years, and I was the Chief Operating Officer at Goodstart, the largest non-profit long day care provider, where I oversaw all aspects of their 650 centre network from an operational, business and quality perspective, for almost 6 years.

I have the benefit of having operated large organisations on both sides of the 'for-profit and not-for-profit divide' and in my experience using this approach to separate the sector is not overly helpful. In my experience, both 'for-profit' and 'not-for-profit' organisations are '**for children**' first. I operate my current for-profit organisation in the exact same way they I operated the not-for-profit network.

The challenges with using this form of division are more apparent when looking at performance or for the purposes of important policy debates. For example, it is likely that not-for-profit providers may advocate for special treatment on the basis that **on average** NFPs have higher quality ratings than for-profits. This conclusion is drawn from broad-based averages. This is of course, one the joy of statistics in that they can be manipulated to suit just about any argument. For example, the facts are that Guardian has a higher percentage of centres rated exceeding both overall, and at the individual standard level, than almost all at-scale, long day care only operators – NFP and FP. Should this fact, that we are



higher quality, mean that Guardian **should not be grouped** in with the 'lower quality' portion of the sector just because we happen to be 'for-profit'? in other words, should the fact we are high quality entitle us to the same special treatment that the NFPs are arguing for on the basis of their quality? It is complex, and not as simplistic as it may have been presented to date. We would suggest that making recommendations based on broad-based averages, or using this 'created' division, may not be appropriate, nor result in quality outcomes from a policy setting perspective.

We appreciate that the Productivity Commission has put children, and not industry structure, at the centre of this inquiry. We hope that this remains the case. We also hope that the fact that the current mixed-delivery model approach has been found by the ACCC to be efficient, competitive, without misbehaviour or excessive margins, and is able to adequately offer access to affordable care to the vast majority of the population, results in sensible, sustainable and nuanced recommendations. We also hope it avoids problematic, "lift and shift" populist style solutions like the Canadian \$10 per day experiment that are being promoted by some non-operators and lobby groups.

### COMMENTARY ON DRAFT RECOMMENDATIONS

We welcome many of the findings and draft recommendations in the Productivity Commission's interim report and have included in our responses to those recommendations below some perspectives on a selection of requests for information. As a member of ELACCA we will let the ELACCA submission speak in more detail on several other requests for information not addressed specifically in this submission. We also support the argument mounted by ELACCA in opposition of populist, inefficient and inequitable schemes, like the \$10 per day Canadian experiment.

Recommendation	Guardian's Commentary
<b>Affordability and availability gaps need to be addressed to achieve universal access</b>	
Give all children an entitlement to up to 30 hours or 3 days a week of subsidised care without an activity requirement (DR 6.2)	<b>Agree.</b>
Lift subsidy to 100% of the hourly rate cap if annual family income up to \$80,000 (DR 6.2)	<b>Agree</b>
Provide additional support for persistently thin markets (DR 5.1)	<b>Agree.</b> We are supportive of government intervention to ensure children are able to access high quality care in persistently thin markets. We do not believe additional intervention is required in markets where supply is not persistently thin.



<p>Improve information about CCS for families (DR 6.3 – 6.6)</p>	<p><b>Agree</b></p>
<p>Consider a new method for indexing the hourly cap</p>	<p><b>Agree but not using efficient costs.</b> We agree that any indexation of the hourly cap should be more closely aligned with input cost increases. Government financial transparency requirements, already being applied to large providers, can be used to facilitate this. We do not believe an efficient cost model – particularly when the methodology is based on an 'average' in a sector where it has been proven that quality provision costs more – is appropriate. Setting the index based on an average efficient cost will potentially lead to a reduction in quality.</p>
<p><b>Availability can only improve if workforce challenges are resolved</b></p>	
<p>Fair Work Act processes addressing pay and conditions (DF 3.1)</p>	<p><b>Reservations.</b> We already ensure our team are paid above the Award, with leadership roles and ECTs paid well above the Award. However, we do note the significant disparity between the school sector and the ECEC sector in terms of teacher wages, and we note the relatively low level of educator wages compared to other sectors.</p> <p>We would like to see a strong recommendation to Government for a fully funded increase in educator wages so we can ensure there is a workforce that is of a size, and a quality, that is able to provide high quality education and care to children. We believe that an increase in wages for educators is a priority use of public funds and would support 100% of these funds flowing through to educators.</p>
<p>Reduce barriers to upskilling (DR 3.1)</p>	<p><b>Strongly agree.</b> We believe educators should be able to complete their practicums within their own organisation and not be required to take unpaid leave. We operate network of centres and could very easily have educators complete their practicum in their own, or a neighbouring Group centre. We are also able to provide appropriate supervision of this practicum.</p>
<p>Support innovative delivery of teaching qualifications (DR 3.2)</p>	<p><b>Partially agree.</b> We are concerned that within the sector there is more focus on the teaching qualification and not on ensuring teaching capability.</p>



	<p>We note the PC's commentary that the increase in ECT degree students is being driven by those pursuing a post-graduate teaching qualification i.e. their undergraduate studies were in a field other than teaching.</p> <p>We would question the validity of a strategy based on continuing to expand this source of ECTs moving forward. Generally speaking, ECTs without an undergraduate teaching degree have been less job-ready, less-experienced and in many cases not as willing to adopt leadership roles within rooms or centres.</p> <p>Ideally, to provide high quality education and care for children you want your most qualified people leading rooms and designing programs for children. It is our experience those without a teaching undergraduate degree, are less willing to undertake this important role.</p> <p>As a result of our real-world experience, we think the sector should be more focused on ensuring graduates of all levels of qualification are job-ready and not simply focused on them having the 'piece of paper'. We would suggest caution be applied when making any recommendation that speeds up the securing of the degree, that does not come with assurance of the graduate being job-ready.</p> <p>It is evident that some educators and Teachers are coming out from either traineeship, VET or degree programs with minimal child development knowledge. They also have little to no understanding of, nor practical strategies to support behaviour and to ensure inclusion for all children and families.</p> <p>Many teachers and educators are unable to function across a day, to program for and to interact with children and families, and there is minimal to no knowledge in how to plan, execute and manage the day-to-day experiences, routines and unexpected occurrences in an ECEC environment.</p>
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	<p>Updated course guidance is likely to be necessary to include the Child Safe Standards and how to minimise and mitigate child harm incidents, as will covering the recent changes and updates made to the Early Years Learning Framework.</p> <p>We would also encourage consideration of a different approach. In an ideal world, government and sector strategies will work and we will one day have enough teachers. In my decade in the sector, I have seen no indication of this occurring – and most of that time was during a much more favourable employment climate. In the absence of a solution we think we need to work with the workforce we have and encourage them to aspire to be more impactful, without the burden (as it has been described by many educators) of having to do additional part time study while raising families etc. One possible option could be to give consideration to competency-based assessments of experienced diploma educators who may then meet the suitably qualified person requirement.</p>
Improve registration arrangements for early childhood teachers (DR 3.3)	<b>Strongly agree.</b> Standardisation would be welcome.
Lift support and mentoring for new early childhood teachers (DR 3.4)	<b>Agree</b>
Improve pathways and support for Aboriginal and Torres Strait Islander people to obtain ECEC qualifications	<b>Agree</b>
Provide greater support for professional development (DR 3.6)	<b>Strongly agree.</b> We invest a significant sum of money into professional development – and still it doesn't feel like enough. Graduates from VET and University courses are simply not job-ready. We would strongly encourage a review of qualifications to ensure they are aligned with the NQS and graduates are capable of operating within this national framework. From the pure perspective of professional development, we agree that focus should be given to supporting educators in working with children with additional needs, children who have experienced trauma, and supporting educators to work with families in complex or challenging situations.
Improved ECEC Workforce Strategy (DR 3.7)	<b>Strongly agree.</b>



	<p>We cannot deliver high quality care without the right number of sufficiently capable high quality educators. None of the recent workforce strategies have been effective enough in solving for this. They largely seem to be a collection of 'announcable' initiatives that don't represent a true strategy.</p> <p>Attraction barriers must be addressed, retention barriers must be addressed. For example; wages must be addressed, qualifications need to be overhauled to ensure job-ready, confident and capable educators are entering the sector, the professional identity of ECEC educators needs to be more strongly supported, and importantly the joy needs to be reintroduced into the profession by reviewing and reducing the documentation and administrative work that is required.</p>
<b>A universal ECEC system has to be inclusive of all children</b>	
Amend eligibility requirements for inclusion funding (DR 2.3)	<b>Strongly agree.</b>
Review and amend additional educator subsidies (DR 2.4)	<b>Strongly agree.</b> We have seen ISS/ISP hours increase by <b>more than 100%</b> on an occupancy adjusted basis over the past 4 years. We are currently only reimbursed for approximately 2/3 of the cost of providing these hours and this percentage falls each year as the funding is not appropriately indexed to meet cost increases. We also note that the ISS funding is not supporting the significant number of children with additional needs who do not have a diagnosis as a result of parent choice. It would be our view that this group of children, without diagnoses, may outnumber those who are eligible for ISP/ISS funding.
Reduce administrative burden of ISP applications (DR 2.5)	<b>Agree</b>
Improve coordination of inclusion funding (DR 2.6)	<b>Agree</b>
<b>ECEC services do not consistently respond to family needs</b>	
Ensure integrated services are available where needed (DR 7.1)	<b>Agree</b>



Support connections between ECEC and child and family services (DR 7.2)	<b>Agree</b>
Introduce a higher hourly rate cap for non-standard hours (DR 7.3)	<b>Disagree.</b> Extended and non-standard hours have been tried numerous times over the years and they have not been widely adopted. Family research seems to suggest the concept is attractive but when offered in centre-based environments the take up has always been negligible in my experience.
Examine planning restrictions related to operating hours (DR 7.4)	<b>Disagree.</b> See above comment. We do not think extended hours are required.
Ensure occasional care is available where needed (DR 7.5)	<b>Disagree.</b> While convenient, we do not believe drop off care in an LDC centre environment is likely to result in a positive experience for the child, nor for the children in the program that the child is dropped off to join. Relationships aren't established, trust not gained, attachment not present and programming not inclusive. The provision of drop off care for children with additional needs is likely to result in even less positive outcomes.
Support out of preschool hours ECEC (DR 7.6)	<b>Disagree.</b> The gap in provision is <b>rarely</b> in the 3-5 space. It is in the 0-2 space. Allowing preschools to access CCS or other funding, for the provision of extended hours would significantly expand the number of available places, resulting in a significant drop in occupancy for existing LDC providers in the age group of children which are often required to ensure the financial sustainability of centres and that often cross-subsidises the provision of care in the critical 0-2 age group. Any reduction in attendance by 3-5 year olds in LDC is likely to result in a corresponding increase in fees for 0-3 age groups so that centres can ensure they remain financially viable.
<b>Quality is paramount to achieving the benefits of ECEC</b>	
Improve regulatory authorities' performance reporting (DR 8.1) • •	<b>Agree.</b>
Review how services are assessed against NQF (DR 8.2)	<b>It is our view that there needs to a consistent approach to the interpretation of the NQS across states.</b> At this stage, each state has their own interpretation, and within states there are often differences in interpretation. We have centres in some states rated Meeting that would be Exceeding in others. The system is still a very subjective system.
Ensure regulatory authorities are adequately resourced (DR 8.3)	



	<p>We also believe there should be a more immediate feedback loop from provider to Regulator, where providers can provide detailed feedback about the nature of the assessment and rating visit.</p> <p><b>The focus needs to return to the original intent of encouraging continuous improvement rather than what is has become – an examination.</b> Centres consider the A&amp;R visit as being the most stressful, exhausting experience they face. Their rating is incredibly important to them, and although we encourage them to approach it like any other day, that is not what it is. It is an exam, and it shouldn't be.</p> <p><b>The evidence for the Exceeding Themes and the benefit they are supposed to bring should be tested.</b> An analysis of NQS results shows that the percentage of centres rated exceeding on each standard and at an overall level has dropped every quarter since the Exceeding Themes introduction in 2018. In many other systems this would be deemed to be a failed approach to continuous improvement. The Exceeding themes remain very subjective. We have some states requiring the referencing of theorists in all critical reflection to qualify for an exceeding rating in QA1 and we have other states adhering to the actual requirements of the NQS. There has been no evidence, that we have been presented, that demonstrates that the Exceeding Themes has resulted in improved outcomes for children (or educators). Figures quoting the percentage of centres meeting or exceeding the NQS as evidence of the improvement are misleading as the below analysis points out.</p> <p><b>Regulators appear to be driving centres back to Meeting. The percentage of the LDC sector maintaining their Exceeding or higher ratings in the states we operate in has dropped significantly. 62% of all LDC sector centres rated Exceeding or higher as at October 21, that have been reassessed since January 22, have seen their rating downgraded to Meeting or below.</b> In NSW, QLD and SA more than 2/3 of all sector LDC centres that held an exceeding rating were downgraded. In SA no centre held their rating and in ACT 1 in every 2 centres reassessed were downgraded:</p>
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	Number of Exceeding / Excellent Centres as at Oct 21, reassessed since Jan 22	Number of Exceeding or Excellent Centres retaining an Exceeding / Excellent Rating	Percentage of Exceeding / Excellent centres downgraded to Meeting or WT
<b>VIC</b>	184	116	<b>37%</b>
<b>NSW</b>	298	98	<b>67%</b>
<b>QLD</b>	128	28	<b>78%</b>
<b>ACT</b>	8	4	<b>50%</b>
<b>SA</b>	31	0	<b>100%</b>
	<b>649</b>	<b>246</b>	<b>62%</b>

The impact of this set of results on educators and centre leaders is significant.

**The impact of this 'driving back to meeting' approach cannot be underestimated.** Centre leaders and their teams take **more pride in their NQS rating** than just about any other form of assessment – internal or external. It effectively 'marks' their professional identity – and for many leaders this also impacts their personal identity. To have always run an exceeding centre, to have been proud of your exceeding rating, and then to find yourself being marked down and effectively being told you are not as good as you were, despite your centre continuing to be as good or better than it was (which is how it is interpreted by many leaders) is demoralising and can, and has, acted as a disincentive to remain in the sector.

**Agree.** As a high-quality provider, we think that high-quality operators should be given preference in any industry scheme where supply is limited with regards to the opening of new centres.

Incentivise quality provision in new ECEC services (DR 8.4)



<b>New coordination mechanisms will support universal access</b>	
Form a new National Partnership Agreement	<p><b>Agree.</b> However, we believe that there needs to be a more holistic perspective taken by State Government's to the provision of ECEC. While some State governments have an ambition for all 4 yo and a large percentage of 3 yo provision to occur within the school system this does not take into consideration the impact this would have on 0-3 provision. As stated elsewhere in this submission, any significant reduction in the number of attendances in LDC by children aged 3-5 will significantly impact the financial sustainability of the sector and call into question either the pricing of 0-3 care (which will have to increase significantly), or the availability of places (as centres may not be able to continue to operate).</p>
Establish an independent ECEC Commission (DR 9.2)	<p><b>Reservations.</b> We would encourage the Productivity Commission to ensure there is a problem to solve here that requires the establishment of a new body and if so, to identify the levers the new body would need to have control/influence over to achieve the desired objectives.</p> <p>The current LDC ECEC system in this country is almost entirely controlled from an operational and regulatory perspective by State Government Regulatory Authorities. ACECQA, while important, is largely an advisory body when it comes to implementation of the NQF and NQS in that it appears to have no real 'teeth'.</p> <p>Any independent ECEC commission would need to be carefully scoped and agreement secured with State Governments over what role each party would play. If not carefully considered there is a significant risk this will just add to the bureaucracy and red tape in the sector.</p> <p>If a Commission were to be created, we would suggest its scope may include;</p> <ul style="list-style-type: none"> <li>• assuming management and oversight of the NQF/NQS and absorbing ACECQA,</li> <li>• coordination of the multitude of funding sources to ensure funding efficiency,</li> <li>• ensuring appropriate indexation of hourly rate caps and any wages flow through,</li> <li>• application of any financial reporting regime that may be put in place,</li> <li>• supply related decisions in unserved or significantly underserved markets.</li> </ul>



	<ul style="list-style-type: none"><li>• Ensuring standardisation/harmonisation of operational and regulatory approaches across states</li></ul>
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**OTHER INFORMATION REQUESTS:**

**Indexation of the hourly cap**

We support a more sector specific indexation of the hourly cap but do not support an AVERAGE efficient price method. The ACCC have quantified that high quality costs more – the risk with any efficient cost (how this would be determined is still to be defined) that uses an 'average efficient cost' is a reduction in the level of investment made by services.

**Scope for broader funding reform**

We would be supportive of broader funding reform only as it relates to improving access, affordability or quality in unserved or chronically underserved markets, excluding where this simply applies to a lack of 0-2 provision.

**ECEC-related vocational education and training**

The recent requirement to complete the Cert III or Diploma by the end of the qualification changeover period or risk having to recommence the qualification was extremely difficult for some students and trainers and added more stress to the workforce. This also happened during the busiest time of the year for ECEC.

Those holding a Cert III looking to upgrade to a Diploma can only do so if they have a current Cert III. This is a significant disadvantage to those who hold an 'old' qualification that is no longer recognised as a prerequisite. Therefore, sector experience is also being disregarded and this is highly frustrating for experienced educators.

Eligibility requirements for funding differ per qualification, per state and per person's rights to work, making it extremely hard as an employer to understand who is eligible. The only way to do this is via communication with the Apprentice Board and then the RTO. It must be done case by case, student by student – a significant administrative burden that should not be necessary.

There is often a long wait to begin training - often 2-3 months while each student number transfers between systems (Apprentice Board to RTO.) This varies state to state. This should also be nationalised and simplified.



Many students do not qualify for funding to study and are therefore paying a premium to complete their course. Often it seems that these students complete their studies – not because of the quality of their work – but because they are full fee paying. We often see students on practicum who we do not think should pass as they are not demonstrating the skills required to move to a paid role in ECEC, only to have the VET provider student advisor (who often visits maybe once during practicum) pass them regardless of our input.

There is inconsistency between the expectations and standards between different institutions offering ECEC courses. It makes it challenging to support students doing practicum. There needs to be a consistent set of expectations.

### **Effectiveness of traineeship arrangements**

Traineeship funding is only available for permanent staff. Traineeship qualifications need to be relaxed to support those on casual contracts to stay in the sector and be able to upskill.

Students are often preferring to come in as non-trainees rather than on a traineeship because the baseline pay is so low.

It would be great to have a national, centralised system to provide managers and employers insight into each student's progress.