

NSW Government submission

Productivity Commission Inquiry draft report

March 2024



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Introduction

NSW welcomes the opportunity to respond to the draft report for the Productivity Commission Inquiry into early childhood education and care (ECEC). Australian and international research is unequivocal; investing in early childhood is the key to transforming children's futures.

The draft report highlights some of the systemic challenges which exist across the national ECEC system and suggests some initial actions governments can take to alleviate these challenges within the current economic and fiscal environment. Changes to current policy and funding structures are welcomed and are likely to provide short-term improvements for the system, children, families and ECEC educators; however NSW notes that more significant system redesign is required to appropriately ameliorate the current challenges and deliver the full and wide-ranging benefits of a universal ECEC system, as envisaged by the Commission and outlined in the draft National Vision on ECEC.

This submission will respond to the Productivity Commission's draft recommendations and will consider opportunities for the Productivity Commission to be more ambitious in its final report. This submission also represents the NSW Government's response to key national reform elements of the final report recommendations of the NSW Independent Pricing and Regulatory Tribunal (NSW IPART) Review of Early Childhood Education and Care.

The issues highlighted under each focus area do not constitute commitments by the NSW Government to fund new programs or adopt particular policies. Further analysis and collaboration with the Australian Government, including through funding agreements would be required for NSW to implement any recommendations arising from the Inquiry.

Funding reform

General comments

Broader, more ambitious funding reform including explicit consideration of preschool, will be required to achieve the Commission’s vision for a universal ECEC system.

The NSW Government welcomes the details of the Commission’s vision for a universal ECEC system in which “all children aged 0–5 years should be able to attend up to 30 hours or 3 days of quality ECEC a week for 48 weeks per year” (draft finding 5.1). NSW agrees that a universal ECEC system should be high quality and support the educational and developmental needs of all children, whilst also supporting family choice and needs. NSW welcomes the Commission’s consideration that a universal system be consistent with the draft National Vision on ECEC whilst acknowledging that there are a number of affordability, availability and workforce barriers that need to be addressed.

However, NSW notes that achieving this system will require a level of ambition and reform that is not detailed in the Commission’s draft report, or that the Commission proposes be resolved via a future national partnership agreement.

The NSW Government encourages the Commission to provide further detail on how the universal entitlement might be implemented in different settings, given the range of funding and delivery arrangements that may apply to different ECEC services. The draft Report stops short of making its vision for a universal ECEC system a specific recommendation. However, the Report does recommend amendments to the Child Care Subsidy (CCS) (draft recommendation 6.2), and Australian Government funding to support universal access in thin markets (draft recommendation 5.1) to support children to access up to 30 hours per week of

ECEC without an activity requirement. It is unclear whether and how public and community preschool services sit within the Commission’s vision for a universal entitlement. The current Preschool Reform Agreement supports delivery of 15 hours per week of preschool for children in the year before school only. The NSW Government encourages the final report to provide more detail on how an ECEC entitlement might be delivered and funded through public and community preschools, within a more holistic concept of a universal ECEC system.

NSW acknowledges the Commission’s proposal for staging of reforms to account for budget constraints and notes that this approach will allow for future adjustments. However, NSW considers that a focus on short-term adjustments to current subsidies and programs, as suggested in draft finding 9.2, in the absence of a long-term roadmap is a missed opportunity to reduce complexity and puts at risk the achievement of the draft National Vision on ECEC.

NSW urges the Commission to detail opportunities for broader, more ambitious funding reform, including a new national funding approach which takes into account the different needs of individual children, beyond family income, that is consistent across all ECEC settings, and supports participation and outcomes for all children aged 0 to 5 years, including Aboriginal and Torres Strait Islander children, children from diverse cultural backgrounds and children with a disability. In light of caring responsibilities largely resting with women, reforming ECEC to make childcare more accessible and affordable will also support women’s workforce participation. This will have a substantial economic benefit – the Women’s Economic Equality Taskforce estimates \$128 billion could be added to the economy by boosting women’s workforce participation.¹

Suggested elements of broad funding reform are detailed over the page.

¹ Women’s Economic Equality Taskforce. (2023). <https://www.pmc.gov.au/sites/default/files/resource/download/womens-economic-equality-taskforce-final-report.pdf>

Specific comments on draft recommendations and information requests

Information request 9.1: The Commission welcomes views on the implications of broader funding reform in ECEC for children, families, service providers and governments, including the benefits and costs of expanding the use of supply-side funding mechanisms.

The NSW Government supports the development of clearer, more streamlined roles and responsibilities for the Australian and State and Territory Governments and revised national funding arrangements to reduce misalignment between objectives, improve access and affordability for families and achieve positive outcomes for children.

In its final report NSW suggests the Commission consider a national funding model that:

- takes a holistic approach to meeting the rights and different needs of individual children, beyond family income, which should include more consistent support to meet the needs of children from targeted cohorts
- supports an increased universal preschool entitlement that meets the diverse educational needs of 3-, 4- and 5-year-old children at low or no cost, which could include considering whether the ability to access additional hours, beyond a universal preschool commitment, would further improve educational and developmental outcomes for those children who need it

- supports children and families in all settings to access wrap around supports and early intervention programs, where appropriate, and is aligned to best practice inclusive pedagogies for ECEC to achieve better health, social and educational outcomes
- ensures the rights of all children to inclusive play-based ECEC are upheld as outlined in the National Quality Framework, including the Belonging, Being and Becoming: The Early Years Learning Framework for Australia
- ensures all ECEC settings are supportive of both educational and developmental outcomes, and workforce participation of parents and carers
- promotes consistent yet flexible funding settings, quality care and education and outcomes for families and children regardless of setting
- prioritises improving affordability and accessibility for families with lower incomes or experiencing socioeconomic disadvantage, families living in regional or remote Australia, Aboriginal and Torres Strait Islander families, and families experiencing multiple vulnerabilities
- provides additional support for families with household incomes under \$20,800 to access early childhood services, in particular those experiencing disadvantage and/or vulnerability, children in out-of-home care and asylum seeker status families
- aligns with and works towards National Closing the Gap targets, in particular Target 3 which aims to increase the proportion of Aboriginal and Torres Strait Islander children enrolled in Year Before Full time Schooling early childhood education to 95 per cent by 2025. This includes by referencing work being undertaken by the Early Childhood Care and Development Policy Partnership relating to uniform and sustainable funding models for Aboriginal Community Controlled Organisations (ACCOs).

NSW also notes that there is a need to consider improvements to current approaches to capital funding, both nationally and state-wide. Improved supply-side funding for capital will help to address the persistent undersupply in areas where the market is unlikely to respond to demand (and government demand-side funding). NSW encourages the Australian Government to work with states and territories as they continue to consider their approach to capital funding, particularly the Community Child Care Fund. As discussed further in the submission, governments should take a market stewardship approach to address these market failures where recurrent funding models are not meeting the needs of families and children, particularly in areas where there are no viable private providers of ECEC services.

The NSW Government encourages the Commission to further consider and consult with expert practitioners and researchers on inclusive ECEC on how a new national funding model could support alignment and coordination between ECEC services and broader child development supports, including wrap around child, family and maternity support, as suggested in draft recommendation 7.2. This should be done in a way that upholds the rights of all children to access and engage in inclusive play-based education and contributes to national priorities, including Closing the Gap Target 3.

Draft recommendation 6.2: Modify the CCS to improve affordability and access.

The NSW Government broadly welcomes this recommendation as a positive first step to be actioned within current policy and funding settings. Relaxation of the CCS activity test is likely to address some immediate access barriers for families, particularly those from low-income households or experiencing vulnerability and disadvantage. NSW looks to the Commission for suggestions on staging and prioritisation of such reforms, including how this recommendation would be funded.

Additionally, NSW offers the following comments for consideration in the Final Inquiry report:

- As suggested above, the Final Report should outline how the proposed entitlement to 30 hours of activity-free ECEC for all children would intersect with preschool funding and entitlements. Currently there is no universal nationally consistent entitlement for preschool for 3- and 4-year-old children, with the PRA providing a contribution towards 600 hours (or 15 hours per week) of preschool for children in the year before school only. Families should be supported to access the 30 hours of activity-free ECEC in a setting that best suits their needs and preferences.
- Concurrent implementation of reforms to boost the supply of ECEC places and the ECEC workforce will be critical to ensure that such demand-side measures do not exacerbate ECEC access challenges and lead to inflationary pressures that may not reduce out of pocket costs for families in the long run. This is particularly important for prospective users who do not yet have their foot in the door with an ECEC service.

Overall, amending CCS alone will not be sufficient to achieve the universal system envisaged by the Commission, or the draft National Vision on ECEC. NSW reiterates its call for the Commission to detail broader and more ambitious funding reform incorporating both current CCS and PRA-based funding arrangements in its final report.

Draft recommendations 6.3 to 6.6: Improve information about CCS for families.

The NSW Government supports recommendations to improve families' ability to understand and access CCS. NSW further suggests the Commission consider how the CCS application process for families could be made less complex and easier to navigate.

Draft recommendation 7.6: Support out of preschool hours care through amendment of the Family Assistance Law to allow dedicated preschools to claim the CCS for additional ‘non-preschool’ hours.

NSW supports further development of the proposal to amend Family Assistance Law to allow dedicated preschools to claim the CCS for additional ‘non-preschool’ hours by creating a separate ‘wrap around preschool’ care type. NSW notes that this care type would not be subject to minimum operating periods or restrictions that it must not predominantly provide a preschool program in the year before full-time school and would attract the CCS for hours of ECEC delivered beyond jurisdiction-specific standard preschool hours, with services required to report on the length of the preschool session delivered. This is a positive step towards more consistent funding arrangements across sectors and recognising the role preschool has in meeting families’ needs for both education and workforce participation. However, there is a risk this could bring greater complexity to the system. Further work would need to consider:

- the implications for jurisdiction-specific regulations – NSW notes there are differences in staffing ratio requirements between preschool and OSHC. Consideration should be given to training requirements, including ensuring OSHC providers have sufficient training to provide tailored and quality education and care for children experiencing additional needs and/or a disability
- the impacts on children and families, particularly in relation to continuity of care between preschool and OSHC and transitions for children
- the ECEC workforce impacts, noting current workforce shortages and potential impacts on service sustainability and viability
- the potential impact on alternative extended hours care such as family day care, particularly in rural and remote locations.

Draft finding 7.3: ACCOs are well placed to provide early years and family services –but face funding challenges.

NSW agrees with the Commission’s draft finding that ACCOs can struggle to source adequate funding to deliver tailored programs that meet community priorities, and welcomes the recognition that a sustainable funding model, which recognises their knowledge and expertise to deliver the ECEC priorities of their communities, is required. NSW notes however that the Commission has stopped short of making a clear recommendation that aims to improve these challenges and would encourage this to be considered in the final report.

NSW is supportive of work that is currently being done to support long term, secure and flexible funding for ACCOs and has been contributing to the development of a national review into an ACCO funding model for ECEC undertaken by the Early Childhood Care and Development Policy Partnership (ECCPP). With this review now finalised, NSW is seeking to scope up an NSW-specific funding model for ACCOs delivering ECEC in NSW that aligns with the national approach being developed and ensures funding is long term, secure and flexible, providing ECEC that is inclusive, wrapped around the child and their family and incorporates language and cultural programs. NSW notes the Commission’s intention to consider this work in its final report and encourages it to examine different funding arrangements that would align with the national approach identified by the ECCPP that might better support ACCOs and contribute to the Closing the Gap Target 4: Aboriginal and Torres Strait Islander children thrive in their early years. NSW would like to highlight the importance of partnership with Aboriginal and Torres Strait Islander communities when considering how to improve outcomes for children. The NSW Department of Education values its partnership with the NSW Aboriginal Education Consultative Group Inc. (AECG) and acknowledges the AECG as the peak advisory body on Aboriginal Education.

Information request 5.1: Low rates of expansion among not-for-profit providers.

The NSW IPART interim report found that the proportion of not-for-profit (NFP) providers in regional and remote locations is significantly higher compared to major cities, while the share of NFP providers of ECEC services has declined over the past decade. NFPs in regional and remote locations often face barriers such as access to capital, lack of availability of suitable premises, and challenging planning approval process which often include short application timeframes. In any funding recommendations, the Commission should consider strategies to grow the NFP sector, particularly those servicing regional and remote communities.



National roles, responsibilities and system stewardship

General comments

Leveraging the draft National Vision to establish a national system stewardship approach will enable governments to effectively steward the system and alleviate barriers to access.

NSW welcomes the Commission's consideration of the merits of a system stewardship approach to the ECEC system. The draft ECEC National Vision, due to be considered by National Cabinet in 2024, presents a strong foundation to establish this approach, as it will require governmental coordination and accountability to deliver on its outcomes. However, to achieve the draft National Vision and the universal ECEC system envisaged in the Commission's draft report, significant change is required to redefine governmental roles and responsibilities and develop a national system stewardship approach.

Issues such as thin markets would benefit from a national system stewardship approach, where significant collaboration and coordination between local, state and federal governments and ECEC providers is required in order to alleviate barriers to access. The final report would benefit from greater detail on what a national system stewardship approach should entail to assist Governments to implement the draft National Vision and develop the next national ECEC agreement, as well as how a national system stewardship approach could ensure that early intervention and the commitments made in response to the NDIS Review regarding foundational supports are addressed.

Specific comments

Draft recommendation 9.1: Improve policy coordination and implementation through a new National Partnership Agreement.

NSW broadly supports the formation of a new National Partnership Agreement (NPA) for ECEC by 2026 and supports the NPA adopting the draft National Vision as its foundation and clarifying roles and responsibilities between all governments. If implemented, it would be critical for the NPA to adhere to the principles of the Intergovernmental Agreement on Federal Financial Relations and ensure state policy and budget autonomy with respect to ECEC.

NSW suggests the final report provide greater detail on the possible funding and governance arrangements of the NPA to support an effective ECEC system and achievement of the Vision. The Report would also benefit from more detailed reasoning for the proposed division of responsibilities in the draft report, including consideration of funding and delivery incentives and potential for cost-shifting.

NSW notes the findings of the South Australian Royal Commission into ECEC which proposed that the Australian Government take primary responsibility for affordability, accessibility and inclusion support across all ECEC settings. This approach could help achieve more consistent, sector-agnostic policy and funding approaches that would enable all families to choose an ECEC setting that best suits their needs. It could also limit cost shifting between governments if families decide to move children between service types. This central function could be funded by the Commonwealth and supplemented by the state, using a new funding model similar to the Schooling Resource Standard,

the Australian Government's needs-based sector-neutral funding model for all Australian schools, which is made up of a base amount and 6 equity loadings that provides additional funding to priority cohorts and disadvantaged schools. States could then focus on utilising local knowledge and be responsible for the quality and delivery of the service system and wrap-around supports more broadly. It would be beneficial for the final report to detail whether and how the Commission considered and assessed this model, as well as any other governance models.

Draft recommendation 9.2 and Information request 9.2: Establish an ECEC Commission.

While it is critical that there is a cohesive national direction in ECEC policy, NSW suggests further details on the proposed ECEC Commission are needed to establish its merits, including its remit, governance and how it would be funded.

Draft recommendations 7.1, 7.2 and 7.5 refer to the ECEC Commission potentially being responsible for assessing and advising on the need for integrated and occasional services in communities. NSW questions whether a centralised national body is best placed to advise on local need and service integration opportunities across jurisdictions, with no known precedents in similar service delivery or social support sectors. NSW suggests that these proposed main functions of the ECEC Commission be mapped against the existing functions of the Australian, state and territory governments, regulatory authorities and statutory authorities to avoid overlap and determine how this new body could best improve coordination rather than contribute to its complexity. NSW also notes that the Australian Government's Early Years Strategy may provide a platform for achieving the local-level integration the Commission envisages a national ECEC Commission could achieve.

It is also currently unclear on what an ECEC Commission could offer outside of existing collaborative mechanisms including Education Ministers Meeting, and how it would hold governments to account in a more effective way than a national agreement. A national agreement may be better equipped to provide guidance and cohesion, while ultimately leaving policy decisions to states and territories.

Draft recommendation 5.1: Support universal access in persistently thin markets via supply-side funding

ECEC supply issues should be addressed as a priority to sustainably deliver upon CCS and broader funding reforms. NSW welcomes the Commission's recommendations to support universal access in persistently thin markets via supply-side funding however it is critical that there are clear definitions of the role of the state versus the role of the Commonwealth. This will ensure the right approach for government intervention and will determine the right level of government to lead in certain areas.

NSW broadly supports an enhanced focus on supply-side measures, given evidence suggesting supply may not be keeping up with the growing demand for ECEC services in particular locations. Without investment in supply measures, demand-side measures on their own could:

- exacerbate ECEC access challenges in the short-term, particularly for prospective users who do not have their foot in the door with an ECEC service
- lead to inflationary pressures that may not even reduce the out-of-pocket cost for families in the long run
- lead to an increase in resource misallocation.

General comments

Improved data sharing arrangements between governments are required to enable effective system stewardship.

Families need accessible and accurate information to make informed decisions about ECEC, particularly in relation to fees, subsidy and out of pocket costs. The NSW Productivity Commission survey of about 2,000 NSW families with children aged 0 to 5 years found that high out-of-pocket costs and uncertainty about these costs were ranked as the 2 biggest barriers to accessing services.² Increased data transparency on service fees and out-of-pocket costs would be beneficial to families making decisions about using early childhood services. Publicly available information on Starting Blocks and commercial websites can often be outdated, inaccurate, inconsistent or incomplete. Improvements are needed to ensure families can access up-to-date service information, including locations, fees and out-of-pocket costs, waiting lists, quality ratings, and other markers of quality and inclusion. The Australian Government should provide greater access to the operating information reported by services to enable comparison and information services and additional support to services to comply with their reporting obligations, for example with validation checks to improve data quality. Targeted improvements to information requirements should be developed with service providers, users and the Australian Children's Education and Care Quality Authority (ACECQA), which operates the Starting Blocks website, to ensure there is national consistency. The ACCC Childcare Inquiry has also recommended improvements to the information collected and provided through the Starting Blocks website.

Nearly a quarter of all children in early childhood services are from families where a language other than English is spoken at home. Culturally and linguistically diverse families often find it more difficult to navigate the early childhood system. There is a need for the Australian Government to review its resources and programs to ensure information is accessible for all families and consider opportunities to help services engage with, and provide information to families in their first language, to improve accessibility and inclusion. Physical offices of Centrelink can be resourced to provide information to families about ECEC that is equivalent to the information available on the government-run websites. This would ensure that families without digital access can still access information to make informed decisions about ECEC for their children.

There is considerable scope for increased data transparency and information sharing to strengthen decision-making, practice and behaviours for policymakers, ECEC services and users. The Australian Government is the largest custodian of ECEC data through the CCS, tax and income support systems. The NSW Government currently has limited and irregular access to comprehensive data on the ECEC sector, including CCS data, which does not allow for timely access, effective funding and policy decision making or data sharing. Access to CCS data would also enable more effective regulation of the ECEC sector by the NSW Regulatory Authority (NSW RA). NSW notes that while the draft report acknowledges the importance of high-quality data, it has not presented any recommendations on how data gathering and sharing could be improved. NSW suggests the Australian Government work with states and territory governments to improve data transparency, collection and sharing agreements. Data sharing between government agencies should also be streamlined to improve turnaround time and quality of data collection.

² NSW Productivity Commission, *Childcare choices: What parents want – Technical Appendix*, July 2023, pp 42-44.

Inclusion

General comments

Inclusion support mechanisms require increased funding and support to deliver equitable outcomes for all children.

NSW supports consideration into how state and federal inclusion support programs can be better coordinated and funded to assist ECEC services to be inclusion ready and provide inclusive ECEC for all children. Findings from the 2023 review of the Commonwealth Inclusion Support Program (ISP) showed that while policy objectives of the ISP are broadly appropriate, there remain significant inclusion gaps in achieving its objectives in a systemic way. NSW understands the Australian Government is currently working through the review's recommendation and NSW will continue to work with them to optimise participation and inclusion in ECEC.

NSW also notes the commitment made by National Cabinet to jointly design additional Foundational Supports, which would look to be delivered through existing government service settings where appropriate (e.g. child care), as a result of the recommendations made by the NDIS Review.³ NSW encourages the Commission to consider Foundational Supports in ECEC settings, given the productivity impacts of early intervention versus the latent demand for services when children begin primary school. Continued consideration of the interaction between disability policy, programs and reforms with the ECEC ecosystem and reforms is also encouraged.

Specific comments on draft recommendations and information requests

Draft recommendation 2.3: Amend eligibility requirements for inclusion funding.

NSW supports the premise that all children with disability, additional need or developmental delay who require additional support should have access to inclusion funding. The funding and program landscape is currently complex and inconsistent, and there is a need for a greater focus on enhancing access for children with a disability. The NSW Disability and Inclusion Program (DIP) includes funding for children with disability and/or additional needs in NSW community preschools (who are not eligible for funding or assistance through the Australian Government's ISP).

Under the NSW DIP, community preschools may submit a NDIS plan or written diagnosis or preschool observations from educators to support their application. Observations provide data about how the child functions in the preschool environment.

The Australian Government's Inclusion Support Program does not currently accept observations as a form of evidence to support applications for the Inclusion Development Fund Subsidy for an Additional Educator or Family Day Care Top Up. Accepting observations-based applications will allow more children with disability or additional needs who may not have a formal diagnosis or other relevant documents, to access support through the ISP (and could be particularly beneficial for children living in regional and remote areas, who may have limited access to diagnostic services). This may reduce barriers to participation and inclusion and minimise the risk that children will be excluded from ECEC services through gatekeeping practices.

³ The Hon Anthony Albanese MP. (2023). [Meeting of National Cabinet - the Federation working for Australia](#).

Draft recommendation 2.4: Review and amend additional educator subsidies.

NSW notes that while educator subsidies are important to support the inclusion of children with disability, additional needs or developmental delay, further consideration should be given to a broader range of recommendations that support a service to become inclusion ready. In addition to high learning support needs funding (which can be used to hire an additional educator), the NSW DIP includes sector capacity building and inclusive environments funding. The program recognises that evidence-based inclusion practice requires supports other than additional educators. NSW suggests the Commission place a greater focus on inclusion readiness in its recommendations.

NSW does not support the recommendation that other human services staff, such as allied health professionals, be employed as an additional educator. There is a distinct difference between early childhood education services and disability intervention services. Allied health professionals do not have the fundamental educational pedagogical practice required for best practice educational inclusion. There is a risk that a child's inherent right to engage in play-based educational programs may be undermined by the medical interventionist approach to disability which may lead to the exclusion of some children with disability and would not align with the principles and practices of the National Quality Framework or the UN Convention on the Rights of the Child.

NSW notes that in response to the NDIS review, National Cabinet has agreed to jointly design a system of foundational supports. NSW suggests this discussion could consider the connection between ECEC and disability support.

Sector Capacity Building supports under the NSW DIP includes funding for training and assistance from allied health professionals. To always ensure compliance with the National Quality Framework, any training or support provided as part of the DIP by an allied health professional must be delivered under the direct supervision of an EC inclusion professional. This may be a better approach to seeking support from allied health professionals in ECEC services while embracing a two-way knowledge sharing strategy.

Draft recommendation 2.6: Improve coordination of inclusion funding between governments.

The NSW DIP is only available to NSW community preschools, and not NSW ECEC services eligible for ISP supports. There is a clear distinction between the funding responsibilities of each program, with no overlap. Further work could be done to identify genuine overlap or complexities where programs in other states and territories intersect with the ISP.

There may be instances where a child attends 2 different services and receives NSW DIP support from one service and ISP support in the other. This circumstance often gives visibility to differences within the funding models regarding the type and amount of support provided. Opportunities to facilitate information sharing between these services could be explored to assist in application submission and reduce the burden on services and families to manage evidentiary documents.

However, improving inclusion supports available in ECEC services is likely to reduce the need for a child to attend more than one service and further consideration should be given to proactive inclusion readiness funding instead of reactive post enrolment funding.

A single, nationally agreed inclusion program may potentially provide greater clarity and consistency for children and families across different ECEC services and settings and could streamline processes for families and services, for instance where they are engaged across different types of services. It could also support broader policy changes such as the introduction of foundational supports under the NDIS. The NDIS Review recommended that the delivery of early supports be linked to and integrated with mainstream services, particularly education and early childhood services (see recommendation 1, action 1.12). It also recommended that a continuum of support should be created for children under the age of 9 and their families. This may involve greater investment in inclusive mainstream services (see recommendation 6).

Furthermore, Deloitte's 2023 review of the ISP recommended piloting collaborative, 'wrap-around' approaches to inclusion supports in ECEC services, which may involve the establishment of a cross-sector ECEC inclusion taskforce, to enable a more coordinated response between families, services, state government agencies, the NDIA and community organisations (see long term opportunity 1).⁴

Any consideration of changes to arrangements to support the inclusion of children with disability and additional needs in ECEC should consider and be shaped by the broader reform environment of both ECEC and the provision of disability supports. Agreement across the Australian and other State and Territory Governments would be required to agree to a nationally consistent program. This would include clarity on the funding approach, model of support and program eligibility and would need to be considered in the context of increasing demand for supports.

Information request 7.2: 'System navigator' roles in the ECEC sector

The introduction of a 'system navigator' role in the ECEC sector may be beneficial, particularly for families experiencing additional barriers to navigating the ECEC system. This may include 'socially impacted families' which is inclusive of families of children with disability or additional needs, families from diverse cultural backgrounds, Aboriginal and Torres Strait Islander families, and families experiencing socio-economic disadvantage or vulnerability due to other social factors. A 'system navigator' should be equipped to manage intersectional and often compounding barriers experienced by families.

An ECEC 'system navigator' could assist socially impacted families by:

- sharing the benefits of attending ECEC, in a format that is responsive to the needs of the family (i.e. Plain English resources, translated resources, using pictorial information)
- providing liaison between families and service providers, to facilitate the building of trust and confidence in the services' ability to provide adequate and culturally appropriate care and to reduce feelings of not feeling welcome or belonging to the education service
- providing support with the administrative complexities, including around enrolment
- supporting families to locate an education service with places available and operating hours that meets the needs of the family
- providing education services with access to professional learning to enhance inclusive practice of educators of children with disability, Aboriginal and Torres Strait Islander children and children from diverse cultural backgrounds
- providing information about the importance of learning through play in the Early Years and everyday practices in the home that support child development and learning improvement.

⁴ NSW Department of Education. (2023). [Review of the Inclusion Support Program - Final Report](#).

Specifically, an ECEC 'system navigator' could assist families of children with disability by supporting them to:

- understand the range of inclusion funding and supports available to children with disability or additional needs across the different ECEC service types
- understand their child and family's rights to access ECEC services and provide information on how to make a complaint if they experience discrimination.

Whereas, cultural liaison roles could:

- provide cultural awareness for education staff to develop their knowledge and understanding of diverse cultural backgrounds and experiences
- promote parent engagement and participation of parents and caregivers in site-based ECEC activities
- work closely with families to support their participation in the ECEC setting.

It is however important to note, that the need for a 'system navigator' role is symptomatic of the inefficiencies and complexity of the system. A role such as this would also not solve the fundamental access issues that plague the system.

Information request 2.2: Cultural safety in ECEC services

NSW welcomes the recognition that it is important for all services to provide culturally safe ECEC for children of diverse backgrounds. Accessing culturally inclusive ECEC that recognises and values diverse cultural beliefs and experiences is crucial to overcoming barriers to participation.

Aboriginal and Torres Strait Islander children and families:

NSW welcomes the Commission's acknowledgement that ACCOs are well placed to provide culturally safe ECEC to Aboriginal and Torres Strait Islander children and are often the first preference of Aboriginal and Torres Strait Islander children and families when accessing ECEC. The Early Childhood Care and Development Policy Partnership is currently working on developing a new funding model in response to the challenges experienced by ACCOs caused by patchwork, piecemeal funding approaches. These challenges create barriers to delivering stable, high quality, efficient and effective service, as well as retaining staff and building service capacity and capability.

The NSW RA is leading innovative work to create culturally safe environments for Aboriginal children and their families accessing ECEC. It is also committed to enhancing the knowledge and understanding of all children and their families about Aboriginal peoples and their cultures.

The NSW Aboriginal Cultural Safety Framework (ACSF) for Early Childhood Education and Care (the framework) aims to:

- support uplift within the ECEC sector by providing clear expectations, standards and guidance to support services to develop, maintain and improve cultural safety
- encourage best provision and maintenance of culturally safe and responsive environments for Aboriginal children, their families and ECEC staff in every type of ECEC service
- support an increased participation of Aboriginal children in ECEC services
- enhance knowledge and understanding of Aboriginal history and culture.

The ACSF is currently in phase 3 – this phase will see the development of a toolkit, tailored learning for ECEC providers and the dynamic promotion of the cultural safety learning journey reflective tool to the ECEC sector.

The NSW RA is keeping other states and territories informed of its progress and would welcome a focused meeting with the Commission if required.

There are a range of opportunities to leverage guidance and expectations on Aboriginal Cultural Safety in ECEC from existing provisions within the NQF and this may be the best starting point. Currently there are relevant Quality Areas that prescribe requirements for Aboriginal perspectives to be incorporated into ECEC, and the Guiding Principle of the NQF 3 (d) states ‘that Aboriginal and Torres Strait Islander Cultures are valued’. All entities with prescribed functions under National Law must operate in accordance with this guiding principle. The NSW RA considers that future national work in relation to cultural safety in ECEC should be informed by the work currently led by the NSW RA, and any other similar initiatives across other jurisdictions.

Whether or not changes to the NQF would further promote cultural safety in ECEC is yet to be determined. The NSW RA will consider this as it progresses its work on cultural safety.

Culturally and linguistically diverse children and families:

Throughout 2023, the NSW Department of Education partnered with Multicultural NSW to consult multicultural community representatives on ECEC issues and with the ECEC sector.

Consultations with stakeholders indicate that families seek ECEC services that not only acknowledge but actively promote and support cultural inclusion. They indicate an interest in services that support and promote cultural connection through cultural and religious celebrations, language use, community connections, and culturally relevant learning materials. The branding of the service with cultural symbols and imagery also matters as it is seen to signify respect and build trust. More bilingual staff with connections to local communities, and resources in languages other than English would improve inclusion.

Free and flexible professional development opportunities in areas such as trauma-informed care, unconscious bias, cultural responsiveness and supporting language development in emergent multilingual learners would promote cultural safety in ECEC services. Alongside this there is an opportunity to consider attraction and retention workforce strategies, that value cultural expertise, and multilingualism.

Within the ISP there is an opportunity to enhance cultural inclusion and culturally appropriate supports to ensure the provision of ECEC for children with diverse learning needs is consistent priority among services.

Regulatory authorities

General comments

NSW welcomes the opportunity to provide insights on the important safety and quality oversight role it brings, and in doing so, contributes to supporting a well-functioning and viable ECEC sector. The NSW RA applies a risk-based approach to its functions and the feedback below reflects this perspective.

Outside of the draft recommendations, the NSW RA suggests there is opportunity to consider introducing a (forensic) financial analysis oversight function of ECEC providers. Given the significant public funding and government subsidisation available to the ECEC sector, this function would provide reassurance that funding is appropriately directed toward safe, inclusive and quality provision of ECEC to children and families.

Considerations of the governance structure, including whether it should be a national or state-based oversight function, could be informed by agreed principles that uphold the integrity of state and Australian Government funding levers.

This function could feed into existing regulatory oversight or decision-making domains, for example, granting approval to operate as an ECEC provider, applying for CCS, approval to operate ECEC services, or new ECEC acquisitions. The function's primary focus should be to ensure government funding is directed to core areas of safe and high-quality service provision in alignment with the National Quality Framework (NQF) and other relevant legislative instruments, as a key policy priority supported by government.

Standards and requirements of ECEC providers across safety and quality in ECEC services are prescribed by the NQF and monitored by state and territory regulatory authorities. Specifically, to the question of NSW having autonomy to considerations of safe and high-quality service provision, ongoing commitment to a national standards and consistency through the NQF is strongly recommended.

Further to legislative protections regarding safety and quality NSW has the opportunity through increased state funding to the sector to consider introducing quality levers attached to funding above and beyond that of the NQF.

Other regulatory regimes incorporate financial viability and performance, and the Commission could consider examining how the function works elsewhere, in comparable industry or sectors. This financial performance and viability oversight function, delivered independently of those providing policy, grant or program funding, could aid governments in effective, holistic stewardship and closer alignment of ECEC providers business modelling to government policy positions and national strategic priorities for ECEC.

As with all proposed regulatory changes, the Commission should carefully consider whether the benefits of the function outweigh the costs. The oversight function could lead to an increase in regulatory burden for ECEC providers, which may further increase the time taken for providers to enter the market or deter them altogether. The function will also require resourcing, which may detract from the work of other areas.

Specific comments on draft recommendations and findings

Draft recommendation 8.1: State and territory regulatory authorities should improve their performance reporting.

NSW recognises the importance of performance reporting and notes that this is an initiative that the NSW RA has implemented. The NSW RA plans to shortly publish an annual statement of performance report as part of its Ministerial Statement of Expectations (subject to ministerial approval). The Statement of Expectations has been in force since July 2022.

Draft recommendation 8.2: A new review of the National Quality Framework.

NSW suggests that this recommendation is considered in the next cyclical review of the NQF. This would require an independently appointed secretariat to lead the consultative process, or, to consider appointing an independent entity to lead the review of the NQS, should governments prefer to conduct the review at an earlier date. ACECQA would not be an independent entity, as it is a prescribed entity under the NQF. NSW also seeks to highlight that the sector is currently experiencing significant change fatigue. The NQF focuses on the obligations of providers to ensure safe, high quality service provision in ECEC. If child level outcomes were to be considered in metrics on provider's performance, this would require significant and broad-reaching systemic change. Whilst the child is considered the primary beneficiary of effective regulation, regulatory settings are primarily focused on the performance of ECEC providers. Further consideration could be given to leveraging eligibility for grants and program funding by way of child outcome performance metrics. It is vital to consider the extent of further administrative reporting relative to benefits realised, arising out of any such proposed criteria linked to child outcomes. Entities delivering ECEC service provision should have clarity of regulatory settings and funding and grants criteria in relation to any proposed metrics on child level outcomes.

Draft recommendation 8.3: Ensure regulatory authorities are adequately resourced.

NSW notes that any proposed independent review would need to consider the full span of prescribed functions as set out in the National Law, part 12, Section 260. The regulatory authority is required to organise and allocate its scarce resources based on level of risk. As the regulatory authority regulates for safety and quality, any consideration of improving timeliness of assessments needs to be balanced so as not to deviate from its important focus on child safety. The NSW RA, along with other jurisdictions, is already taking steps to increase the frequency and efficiency of assessments and ratings through implementing improvements. NSW notes that resourcing is just one mechanism available to improve the operation of assessments and ratings. The purpose of any independent review would need to consider other oversight processes regulatory authorities are subject to, to ensure no duplication.

Draft recommendation 8.4: Incentivise quality provision in new ECEC services.

NSW agrees with this recommendation and notes that the NSW RA already uses a risk-based approach to its assessment of applications which includes the provider and related entities' compliance with the National Quality Framework. The next cyclical NQF review could consider the merits and value of any proposed regulatory amendments to extend regulatory authority powers to make decisions regarding new services. This should include a comprehensive review to determine motivations and reasons for sector growth (in particular, growth of for-profit services), and whether regulatory authorities should have remit over financial viability. Caution is drawn to the important context of timing for both subsequent regulatory assessments of quality and the time required for services to take steps toward quality improvement. Prioritising new service approvals of higher-rated providers may delay and deter recent or new providers from operating and/or expanding.

As noted above, however, the Commission should carefully consider the costs and benefits of any regulatory changes to avoid unintended consequences. For example, the NSW Productivity Commission's survey of NSW families did not find quality to be a major barrier to ECEC use.

Information request 8.1: Provision of service ratings information for families.

The NSW RA has led a review on behalf of all jurisdictions that was conducted following the 2019 NQF Review finding that families sometimes find the current National Quality Standard difficult to engage with and struggle to interpret quality rating labels. The review tested alternative quality rating terminology with parents and found that there are certain approaches that might be taken to enhance and further promote the understanding of the quality rating system with families. The outcome of this review will be provided to the Early Childhood Policy Group (ECPG) in early 2024, and following ECPG consideration (if time permits), could be provided in response to this information request.

Information request 8.2: Regulatory actions against serial underperformers.

As previously noted, the NSW RA applies a risk-based approach to regulation – both as a proactive and responsive approach to its regulatory compliance functions. There is a tension in exercising regulatory powers as and when required with more severe measures including closure of services that are not meeting safety and quality requirements. Regulatory settings do not and should not mandate consideration of impact on families or of alternative ECEC supply for children and families in these instances. This is because regulators should be focused on prevention of harm and safety of children. NSW suggests that these remedial responses for impacted families should be activated via a different and distinct arm of the relevant department responsible for ECEC programs, rather than the RA. However, NSW welcomes further

consideration of broadening regulatory powers to incorporate proactive information sharing to government contracting and funding arms regarding serial underperformers, with the aim of motivating behaviour change.

Information request 8.3: Support for services to meet the NQS.

NSW notes that it is funding ACECQA to deliver free of charge to the sector, a targeted Quality Support Program (QSP) for services. The program includes 2 pathways to support ECEC providers to uplift quality for services Working Towards NQS, and embed compliant practices (Compliance Support Pathway-CSP), with key findings of the recent Stage 5 evaluation report now available.⁵ While the QSP entry/eligibility criteria is quite defined, the NSW RA also offers the NSW ECEC sector free of charge tailored guidance, learning and regulatory information including across NQS requirements via its Safety and Quality Practice Program, which is then evaluated to ensure outcomes for the sector are achieved. Generally, single service providers and those in rural and remote areas require more support to effectively operate in accordance with NQF, however, performance data is ever changing with trends and clusters in other provider types emerging over time. Regulators would be best placed to analyse their jurisdictional performance data and to tailor their guidance and support accordingly. Consideration could be given to recurrent funding from the AG to ensure state and territory regulatory authorities can effectively support their ECEC providers on the NQF requirements, as required under its legislated function (National Law, Part 12, Sec 260 (f)). The NSW Regulatory Authority also notes a downward trend in number of services rated Exceeding, nationally.⁶ Consideration should also be given to funding from the AG to state and territory regulators for the delivery of tailored support to providers, and to guide them in maintaining high quality in the sector.

⁵ NSW Department of Education. (2023). [Quality Support Program](#).

⁶ ACECQA. (2023). [NQF Snapshot Q3 2023](#).

ECEC workforce

General comments

ECEC reforms hinge on the supply of quality ECEC, which is dependent on a high-quality workforce and strong workforce pipeline. Reforms must be supported by comprehensive and urgent reforms for the ECEC workforce to improve the attraction and retention of workforce, particularly through increased pay and conditions. The draft report recognises the importance of increased pay, however it defers to processes currently underway through the Fair Work Commission to resolve this. While other methods to support attraction (pathways and innovative delivery of qualifications) and retention (professional development and upskilling) are welcomed, improving pay remains the most significant issue to resolve regarding the ECEC workforce and the final report should articulate this. The Australian Government holds significant influence to attract and retain a high quality ECEC workforce and capacity to influence pay, conditions and employer relations. The NSW Department of Education is a minority employer, employing approximately 2 per cent of the NSW ECEC workforce. NSW would welcome the Commission's analysis of the best mechanism to achieve wage increases, as well as other options to address workforce supply. Presentations given at the inaugural biennial National Workforce Forum held in November 2023 may provide options for how pay and conditions of the workforce could be sustainably implemented.

Women make up 96 per cent of the ECEC workforce. Workforce segregation is a key contributor to the gender pay gap and increasing wages and attracting more men to these roles will be essential to sustaining the workforce in the longer term and breaking down gender norms relating to caring responsibilities.

NSW also encourages the Commission to consider migration as part of an overarching workforce supply strategy. This should include student and graduate visas, permanent pathways for migrant workers and opportunities to support parts of the sector experiencing chronic shortages, such as rural, regional and remote areas. This should be considered in close consultation with key sector stakeholders to support the long-term viability of the sector.

Specific comments on draft recommendations and findings

Draft recommendation 3.1: Reduce barriers to educator upskilling.

NSW supports this recommendation and the premise that barriers to educator upskilling should be reduced. The Australian Government holds the key levers to influence system-wide reform in this space, including by overseeing key bodies including ACECQA, Jobs and Skills Australia and the Australian Skills Quality Authority. NSW may complement this role by addressing system barriers and incentivising completion of study and upskilling through targeted fee-free VET scholarships, such as the ECEC Scholarships Program.

For consideration around implementing this recommendation, the Commission should consider:

- opportunities to 'learn and earn', as a notable barrier to upskilling may include a need for students to also have an income
- barriers presented by the supervision of students/trainees reducing the capacity of supervisors to deliver care and education
- extending wrap around supports to staff who are upskilling educators, not just those upskilling to become Early Childhood Teachers (ECTs). This would support a stronger pipeline of upskilling across the broader ECEC workforce
- when considering prior recognition, pipelines from other sectors should also be factored in to allow for mobility across care and support economies as well as along the education spectrum
- education and training systems that support the development of ECEC workers in the communities where they live. On-the-job training and online education and assessment modules support flexibility and may improve training pathways.

NSW supports ACECQA examining supervised professional experience and allowing students to fulfil requirements in existing workplaces. Providing greater flexibility will help remove barriers to entering the profession and aid in attracting candidates to ECEC roles (especially in rural and remote contexts). There are also opportunities for larger childcare centres and council owned centres to be incentivised to offer greater numbers of traineeships and increase retention rates of current trainees who currently may be asked to leave once the traineeship has been completed due to salary increases. NSW is working to reduce barriers to educator upskilling by partnering with the University of Wollongong to design an accelerated degree pathway. This pathway is currently being delivered to allow educators to undertake an intensive, but supported Initial Teacher Education qualification, which support the pipeline of future ECTs. The NSW Department of Education has also partnered with Training Services NSW to deliver an ECEC Recognition of Prior Learning Upgrade Initiative to support educators holding a pre-2013 Certificate III to recertify (due to National Training Package changes in 2021).

Draft recommendation 3.4: Lift support and mentoring for new early childhood teachers.

While NSW supports this recommendation, this support should extend to educators, noting that in the NSW ECEC context, the workforce is comprised of over 80% educators. Mentoring would also be beneficial at change points along a career journey or when delivering targeted services, including complex and additional supports. Mentoring programs could also be tailored to support specific cohorts and groups, for example, creating an Aboriginal and Torres Strait Islander mentoring program which can provide cultural safety and support to educators.

Draft recommendation 3.5: Improve pathways and support for Aboriginal and Torres Strait Islander people to obtain ECEC qualifications.

NSW supports this recommendation and is currently piloting the Grow Your Own program. Established in 2021, it offers a supported pathway to qualification completion and employment in an ECEC service for Aboriginal and Torres Strait Islander students studying Certification III or Diploma level qualifications in ECEC. The program will be evaluated in 2024 to inform future program directions including possible expansion. As governments look to improve pathways for Aboriginal and Torres Strait Islander people in ECEC, consideration should be given to offsetting the cost of obtaining qualifications (such as travel, digital supports, support leaving Country and community) and ensuring flexibility is provided to support a balance between working, studying and personal time. As is a key focus of the Grow Your Own pilot in NSW, Aboriginal and Torres Strait Islander students should be supported to transition into roles in the sector once they have completed their studies and qualifications.

NSW suggests the Commission consider extending this recommendation to support Aboriginal and Torres Strait Islander people throughout their whole career, including educator retention measures and career development. This would align with the National Closing the Gap target 6: Aboriginal and Torres Strait Islander students reach their full potential through further education pathways.

NSW also acknowledges that the need to fill critical staff shortages is immediate and encourages the Commission to consider the development of programs that would address this immediate need, whilst training occurs.

Draft recommendation 3.6: Contribute to professional development for the ECEC workforce.

NSW supports this recommendation, noting that a key 2023 NSW election commitment is to contribute \$10 million for a professional development fund for professionals to access quality professional learning, regardless of the qualification they hold. Consideration should be made around the need to extend contributions to additional wrap-around supports to enable access, and support completion of, professional development, including backfill and community of practice components. Leadership has also been identified as a key professional development theme to support workplace culture uplift and sector wellbeing. Consideration should be made for this to be included as a professional learning priority for building staff capability. Development of nationally recognised ECEC micro-credentials will also assist with greater availability and access to professional learning opportunities, will drive quality and consistency in learning experience, and provide a framework for funding.

As acknowledged in the National Children's Education and Care Workforce Strategy, educator and teacher wellbeing initiatives are required that help ensure there are strong mental health and wellbeing supports for the ECEC workforce. Further consideration should be made in the final report on establishing a framework to provide adequate support across the ECEC sector.

In line with recommendations made in the draft report to ensure universal access to ECEC for children with disability, there should be a focus on the workforce requirements to support increased access. These include additional suitably qualified, experienced and knowledgeable educators; supported capacity building within services including professional development and mentoring; educators or service coordination and administration and support for allied health professionals and families where a 'key worker' is required; and minor capital works and specialist equipment.

Consideration should also be given to how professional development can be supported in regional settings in a time of critical workforce shortages. Staff may need to travel a significant distance to attend training and subsequently require to be backfilled for longer periods of time.

Draft recommendation 3.7: Improve the ECEC Workforce Strategy.

As an overarching framework for national engagement on ECEC workforce matters, NSW supports the Commission's recommendation to improve the ECEC Workforce Strategy, in particular welcoming the recommendation to address the challenge that a lack of committed funding to the National Workforce Strategy poses. Further, we support the articulation of a clear objective for the Strategy. Clearly articulated success measures are essential to ensure accountability, enable progress to be monitored and assess returns on investments. NSW also encourages the ECEC Workforce Strategy to include a focus on the attraction and retention of educators in regional settings.

NSW notes there is currently work underway to enhance the national Workforce Dashboard, which monitors progress on the focus actions on the Workforce Strategy, with a new 'monitoring improvement' tab. This tab will be populated by April 2024 and will include improved measures, milestones and data information for each focus action to capture progress more closely.

NSW is also currently establishing an NSW Early Childhood Workforce Strategy which will align with the key priority areas of the national workforce strategy and provide supports to specifically address issues in the NSW context. The strategy will set in place a cohesive program of work for the department to address key workforce challenges in the NSW early childhood sector, support future sector growth and sustainability, and deliver the government's reform priorities.



Information request 3.2: Effectiveness of traineeship arrangements.

NSW understands traineeships to be an effective career pathway, and current administrative and entry requirements are not seen as posing barriers to entry. The Educational Pathways Program Apprenticeship and Traineeship Head Start initiative in NSW targets selected high school students in years 10-12 who participate in part qualification vocational training, giving them a taste of the industry. Training is fully subsidised and provides the host employer with an indicator of the capability and cultural fit of the student at the work experience stage with a view to full time employment as a trainee. As of 30 June 2023, 5980 trainees were undertaking the Certificate III in Early Childhood Education and Care which is also the top traineeship qualification. NSW data indicates that in 2023 there were 4968 trainee contract approvals with 1469 employers, with strong growth on the 2022 data. There was a slight decline in completion rates in 2023, with reasons for non-completion mostly linked to unsuitable matches between the individual and the employer, or workplace conditions including training skills and poor wages.

Information request 3.3: Falling completion rates for early childhood teaching qualifications.

Whilst early childhood teaching qualifications reported a decline in completions between 2012 and 2018, the completions of the Diploma of ECEC saw a small growth of 3 per cent between 2015 and 2021. Reasons for program withdrawal amongst VET students included training not as expected, training schedule inflexibility, career changes and personal reasons. Of those VET students who withdraw, the highest proportion were aged 17-24 years.

Conclusion

NSW thanks the Productivity Commission for the opportunity to respond to its draft report on its Inquiry into ECEC. The ECEC national reform landscape is currently extremely crowded, which is indicative of the high priority it has within the Australian and State and Territory governments, as well as within the community.

There is robust evidence that access to high quality, inclusive and culturally appropriate ECEC has positive outcomes for children, families and the economy. It is critical that the Productivity Commission recognises within the final report the opportunity it has in recommending ways to revolutionise the ECEC system and support improved lifelong outcomes for children and families.

NSW looks forward to receiving the final report and welcomes the opportunity for increased collaboration between the Australian Government and States and Territories to work together to seize new opportunities and realise the potential of a high quality, affordable and accessible ECEC system.

