



Education and Care – Fit for the Future 2023

Prepared for

Productivity Submission

Proposal for

Community Child Care Association



Community
Child Care

Vision into Practice

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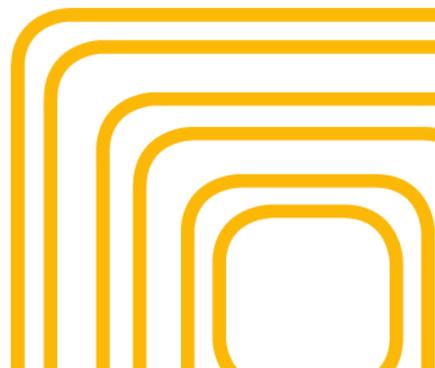


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About us

From a small beginning, Community Child Care (CCC) has grown significantly, and is now the peak body in Victoria for community-owned education and care, supporting long day care, OSHC, kindergarten, family day care and occasional care educators, teachers, leaders, coordinators and directors. CCC's vision and purpose are underpinned by the belief that all children deserve the best possible start in life, regardless of their circumstances. Our vision is for excellent early childhood and outside school hours education and care for all and our purpose is to lead, support and advocate for accessible high-quality opportunities for children and families.

As a trusted sector leader, CCC provides leadership and advocacy, works with governments toward improvement in the sector and supports services with membership, quality professional development and consultancies. CCC equips and supports early childhood and outside school hours care services, educators and their communities with the skills and confidence to deliver high quality inclusive education and care services.

CCC's advocacy has helped to enable and strengthen the development and retention of Victoria's community-owned education and care sector.

Executive summary

Time for a new vision for Education and Care

Recent years have exposed the fault lines in Australia's Education and Care (E&C) system for all to see. Confusion and chaos during COVID, childcare deserts, workforce shortages and spiralling costs reveal a sector no longer fit for purpose. Now is the time for a bold reimagining of the Education and Care system, not one tied to outdated structures and limited objectives.

CCC welcomes this inquiry and the renewed commitment of the Australian Government to the value and opportunity of the Education and Care sector. We commend the Government on its recognition of the E&C sector as 'an essential part of Australia's education system' and its ambition to deliver 'universal, affordable E&C – in the great tradition of universal Medicare and universal superannuation.'¹

However, the current sector is hamstrung in its ability to meet this objective due to persistent confusion and inconsistency of policy objective. The primary funding model of the Child Care Subsidy (CCS) was designed as a welfare payment to families to support workforce participation. As a demand driven funding model, focused on parent costs, contributing to improved education and development outcomes for children were not part of the primary policy design. However, recent decades have shown the significant value of investing in quality education and care from birth to five for improved child outcomes and reduced poverty and social inequality. Outdated distinctions between 'care' and 'education' and the ages at which these happen, are limiting the impact of

¹ Productivity Commission, March 2023: Early Childhood Education and Care – Call for Submissions.
<https://www.pc.gov.au/inquiries/current/childhood/call-for-submissions>

federal and state government investment. This confusion of purpose is contributing to a system that is expensive, difficult to navigate and failing to meet its full potential for social and economic impact.

To meet the objective of a universal, affordable E&C sector we must reset the policy objectives to put children and their needs at the heart of the system. Recognising that by first meeting the needs of children, the benefits to families and the economy will flow.

Currently we recognise this benefit for some children, but not all. School aged children are entitled to 30 hours per week of high-quality public education. In the year before school, children are entitled to 15 hours of preschool or kindergarten. States including New South Wales and Victoria are already expanding this to 30 hours free entitlement for all children. Yet, under the current funding models, children under these ages are not entitled to universal access to quality early learning and care. Instead, their access is dictated by their parents work and financial status. Knowing that 90% of a child's development occurs in the first five years, a system that excludes our youngest learners will never see the full benefits of investment.

An education and care system that is fit for the future is one that works towards a vision of:

- Guaranteed universal access for up to 30 hours/3 days per week of free, quality early childhood education and care, from birth to school age, in the setting best suited to the child.
- Child Care Subsidy (CCS) available for additional hours beyond the minimum 30 hours guarantee to support families to work the hours they choose.
- A strong, stable, continuously improving, professionally paid and respected education and care workforce,
- Universal high-quality programming and practices regardless of location or service type which are continuously improving.
- A stable and balanced market which supports quality, access and choice.

With these foundations in place, Australia will see the full benefits of a quality education and care system; improved health and developmental outcomes for children, reduced social inequity, as well as increased workforce participation and women's economic equality.

Summary of Recommendations

Universal access – Towards 30 hours free early childhood education from birth to school

1. That Australia's E&C policy is reset with children's access to high quality education and care as its primary objective.
2. That E&C funding should work towards the delivery of a universal entitlement to 30 hours/ 3 days per week of free early childhood education and care from birth to school age across all service types, provided through block funding.

3. That a future universal entitlement includes up to full time (50) hours per week of free E&C for vulnerable children and families.
4. That State and Federal Governments coordinate the delivery of universal access arrangements to limit funding complexity and to support families to access the Early Childhood Education and Care that suits their needs.
5. That the existing Child Care Subsidy (CCS) scheme, with appropriate fee controls, continues to support workforce participation of families for hours beyond 30 hours from birth to 12 years of age.
6. That the Activity Test is abolished for all hours of E&C.

Investing in a professional E&C workforce

7. That the Federal Government participates in and provides funding support for nationally coordinated Multiple Employer Agreement across the education and care sector. Delivering wages and conditions in line with comparable work in the education and care sectors.
8. That Government funding for wages and conditions is provided to services demonstrating compliance with the improved minimum standards as negotiated through multi-employer bargaining. Transition to replicate NZ and Victorian models of higher block subsidy rates for services which pay the improved minimum conditions.
9. That all recommendations of the Children’s Education and Care National Workforce Strategy be implemented.
10. That the proposed National Early Childhood Teacher Registration Scheme be extended to include all education and care educators.
11. That services are supported to provide accredited, coordinated professional development for all educators and teachers.
12. That appropriate measures for immigration of suitably qualified educators and teachers, which support the local E&C sector and workforce are explored.
13. Nationally consistent ratio and qualification requirements for OSHC are developed.
14. Higher education institutes invest in OSHC specific qualifications to meet the specific needs of educators in this sector.
15. Recreation and leisure pedagogues are employed full time and permanently in schools to plan programs and support children throughout the day, outside of school time.
16. That Government funds the provision of coordinated professional learning support for E&C educators and teacher.

17. That Government funds the provision of coordinated professional learning support for E&C educators and teachers.

Ensuring high quality education and care

18. That funding to State Governments to deliver assessment and rating programs is sufficient to meet the original goals as set out by the NQS.
19. That ACECQA is maintained and funded to deliver a nationally consistent quality program for E&C services.
20. That current enforcement options for non-improving/ non-compliant services are reviewed for their effectiveness in ensuring minimum service quality and child safety. The review should consider establishing an ‘administration option’ for services which need urgent intervention to ensure the safety of children or services which do not demonstrate improvement.
21. That Education Departments across Australia have high expectations that schools consider OSHC as a core component of their delivery and collaborate appropriate for best outcomes for children.

A balanced market for quality, access, and choice

22. That Local, State and Federal governments coordinate to monitor E&C service provision and ensure services are delivered in line with demand and community needs.
23. That models to provide capital funding to support the establishment of new not-for-profit community led services are investigated, especially in areas of community demand.
24. That programs are developed in conjunction with State and Local governments to provide governance, business, and management support to communities to establish and maintain not-for-profit services.
25. That every school has appropriate and specific indoor space that meets the needs of children accessing OSHC.

Part 1: Building a system fit for the future.

Putting children at the heart of the system

Australia’s Education and care system is currently a mishmash of different policies delivered through outdated and inefficient funding structures.

As the primary funding model for education and care the CCS is not fit to ensure all children are able to access the high-quality education and care that they need.

The split between the federally funded CCS (funding focused on workforce participation) and Preschool Reform Agreement funding (funding focused on access to early education) is not family-centric, causing significant confusion for families and inefficiency in service provision.

This funding structure is also based on outdated concepts of E&C before preschool age being primarily ‘care’ focused and Preschool and beyond being ‘education’ focused. It is a funding structure that is arbitrarily divided by age, rather than purpose, shoehorned around state and federal constitutional responsibilities. As a result, this creates artificial barriers to access and limitations on the social and economic benefits of education and care.

Reimagining the E&C system as one that recognises that learning starts from birth, and with children’s needs at its heart, has the potential to untangle this funding web. By meeting children’s needs first, the needs of the family are also met and can be supported more efficiently. By recognising the value of education and care to children as the first objective of funding for all ages, and increased workforce participation as a dual benefit, we can more clearly target government investment and maximise the social and economic benefits.

Universal access.

Our current public school system was built on a recognition of every child’s right to a high-quality education. Every child, from the age of five has this right. We now know how critical the first five years of learning and development are for setting up the foundations for future health, wellbeing, and success. We also know that children who are developmentally disadvantaged at the start of school are likely to remain behind throughout the rest of their education. Disappointingly, our current early childhood education system does not reflect this understanding. Instead, it remains focused primarily on parents’ workforce participation without recognition of, or support for, children’s lifetime learning pathways. The result is a system that frequently excludes those children who need it the most, drives up costs and is unnecessarily difficult for families to navigate.

Transitioning to a goal of universal 30 hours/3 days per week of free early learning and care establishes a foundation for a E&C system that more effectively meets the dual objectives of supporting the learning and development of children and supporting the work choices of families.

Towards “30, 30, 30” positions early childhood education and care as a continuum of the existing education system. It recognises that learning starts at birth and that children have a right to be supported in their learning at all stages. It is a vision which sees all children provided an entitlement of up to 30 hours of age appropriate, high quality, play based early education and care from birth, 30

hours quality preschool/ kindergarten program in the two years before school, and 30 hours universal public school.

These hours would be funded by block funding paid directly to services based on a mixture of operational, equity and per capita components, like existing Preschool and School funding arrangements. This initial entitlement would be paid directly to providers across all service types via a coordinated partnership between the Federal and State/Territory governments.

Families who need additional hours of ECEC, to the initial 30, to work the hours that they want, could continue to receive the CCS in the same way that, currently, families access primary school and outside of school care. Extending this into a long day care setting, for example, would see families able to claim CCS for the fourth and fifth day, or for hours beyond daily programming.

Families would be able to access the hours of ECEC that suit them, across any service type, as part of a new, easy to navigate, more affordable system which removes barriers of cost, choice and accessibility. To support the needs of vulnerable children and families, additional free hours would be provided to ensure greater access as needed.

30 hours free universal E&C would represent a significant reduction in family's out of pocket costs but also represent a more equitable system than a proposed universal fee subsidy. The balanced mix of supply and demand subsidies allows for a reasonable means tested component without impacting base access for children. As a proportion of income, 30 hours free E&C supports families on the lowest incomes the most.

Table 1: Proportion of out-of-pocket costs 90% subsidy v 30 hours free²

4 Days / 40 hours	90% universal subsidy	30 hours free
Base rate 2022/25	% of income	% out of pocket
80,000	2.60%	0.83%
90,000	2.31%	0.88%
100,000	2.08%	0.93%
110,000	1.89%	0.96%
120,000	1.73%	0.99%
150,000	1.39%	1.06%
180,000	1.16%	1.10%
200,000	1.04%	1.13%
220,000	0.95%	1.14%
250,000	0.83%	1.17%
280,000	0.74%	1.18%
300,000	0.69%	1.19%
320,000	0.65%	1.20%
350,000	0.59%	1.21%
380,000	0.55%	1.22%
400,000	0.52%	1.23%
450,000	0.46%	1.24%

² Based on current CCS fee cap \$12.74 per hour and CCS subsidy rates as at 1 July 2023.

480,000	0.43%	1.24%
500,000	0.42%	1.25%
530,000	0.39%	1.25%

Aligning a universal access entitlement for E&C with the existing hours entitlement for public schooling can be achieved as an alternative to providing a universal 90% subsidy and can be transitioned sustainably. The NSW and Victorian free four year old preschool programs provide transition models which could be explored.

For example, implementation of ‘free’ hours can be incremental over time, and/or across local government areas. Implementation across service types can include conditions on applying the funding, such as in Victoria where “Free Kinder” has been available across settings including long day care³. Long day care services which provide an approved kinder program are provided with block funding for that program. Parents receive a direct discount on their fees for those kinder hours. In addition, the total cost of the package may also be adjusted to mirror similar cost projections to a 90% universal subsidy model by adjusting maximum CCS subsidies for additional hours over time.

Transitions to this model will allow for greater targeting of federal government funding through appropriate funding agreements with services. The CCS currently offers government’s limited control over how funds are utilised as it is a payment to parents not to services. Therefore, eligibility conditions are linked to the parents and not to how the service then utilise the funds. While services must currently comply with limited licensing requirements in order to receive CCS from families, direct block funding allows for greater direction of the conditions of funding between the government and providers.

International examples show the importance of fee restraint policies in a transition to a mixed funding model. Appropriate controls and oversight of fee increases are required to ensure that fees for additional hours beyond any guaranteed ‘free’ entitlement are not excessive. Ensuring that the block funding component meets real and genuine costs, and is regularly and independently reviewed is essential to ensure savings for families are fully passed on. Examples of fee restraints include conditions for “Free Kinder” set out in the Victorian Kindergarten funding guide⁴, The Irish model of temporary “free freezes”⁵ or the capping of parental charges as per Quebec’s \$10 per day policy⁶.

Recommendations:

- 1. That Australia’s E&C policy is reset with children’s access to high quality education and care as its primary objective.**

³ 2023 Victorian Kindergarten funding guide Jan 2023 <https://www.vic.gov.au/kindergarten-funding-guide>

⁴ Ibid

⁵ Partnership for the Public Good: A New Funding Model for Early Learning and Care and School-Age Childcare, 2021: <https://first5fundingmodel.gov.ie/wp-content/uploads/2021/12/Funding-Model-FINAL-REPORT-2.pdf> pg: 19

⁶ Childcare and early education systems, June 2022: www.fawcettsociety.org.uk pg: 40

2. That E&C funding should transition to delivering a universal entitlement to 30 hours/ 3 days per week of free early childhood education and care from birth to school age across all service types, provided through block funding.
3. That a future universal entitlement includes up to full time (50) hours per week of free E&C for vulnerable children and families.
4. That State and Federal Governments coordinate the delivery of universal access arrangements to limit funding complexity and to support families to access the Early Childhood Education and Care that suits their needs.
5. That the existing Child Care Subsidy (CCS) scheme continues to support workforce participation of families for hours beyond 30 hours from birth to 12 years of age.
6. That the Activity Test is abolished for all hours of E&C.

Investing in a professional E&C workforce

Delivering universal education and care is dependent on having a high-quality professional workforce to back it up. However, Australia is currently experiencing an E&C workforce crisis. Job vacancies for educators are at record highs⁷ and low pay and high workload is driving educators to leave the sector⁸.

It is estimated that an additional 16,000 new educators will be needed to address current shortages and meet increased demand raised as a result of the Government’s “Cheaper Child Care” policy, set to come into effect on 1 July 2023⁹.

Low wages, high workload and poor conditions are the main drivers of this workforce shortage. However, despite this urgent and high demand for qualified workers, E&C workers remain Award reliant and are paid well below the national average¹⁰. There is clear market failure regarding the market rates for E&C workers which require intervention to resolve. Wages in the sector are held back by significant structural issues, including historical gender undervaluation, limited access to enterprise bargaining and funding arrangements.

⁷ <https://theconversation.com/high-childcare-fees-low-pay-for-staff-and-a-lack-of-places-pose-a-huge-policy-challenge-183617>

⁸ United Workers Union. 2021, [Exhausted, undervalued and leaving: the crisis in early education | VOCEDplus, the international tertiary education and research database](#)

⁹ <https://www.theguardian.com/australia-news/2022/oct/31/australia-needs-16000-new-educators-to-fill-shortfall-in-child-care-sector-inquiry-told>

¹⁰ The Economic Benefits of High Quality Early Childhood Education, Grundoff, M, The Australia Institute, March https://australiainstitute.org.au/wp-content/uploads/2022/04/Economic_Aspects_of_E&C_in_Australia_FINAL.pdf pg:24 and <https://snapshots.acecqa.gov.au/workforcedata/wfglance.html>

E&C educators and teachers are paid below average wages and less than workers in comparative industries such as primary education, disability care and aged care. With over 7000 employers in the E&C system and over 80% of the employers in the sector operating just one service, E&C educators have been locked out of enterprise bargaining and attempts to vary Awards have proven to be lengthy, costly and unsuccessful.

An urgent solution to low wages and poor conditions is needed to ensure no child or family misses out on the E&C they need due to workforce shortages. The recent *Secure Jobs, Better Pay* legislation was passed making specific provisions to improve access to enterprise bargaining for low paid female dominated industries such as the early childhood sector¹¹. Enterprise bargaining provides an efficient, flexible and long-term sustainable model to improving wages and conditions in the sector. This legislation provides a new opportunity for the sector to address low wages and poor conditions by bringing employers, unions, and the government together to set a new agreed standard in wages and conditions.

The crisis in pay requires a significant and urgent increase with stakeholders from the sector calling for between a 10% -25% wage increase for ECEC workers¹². Such an increase is necessary to raise wages to market competitive rates and can only be achieved with the commitment of additional government funding, separate to the CCS.

The reliance of the ECEC sector on CCS funding has acted as a direct suppression to wages. As a demand-side subsidy, any increased costs resulting from improved wages are passed onto parents as increased fees. While the CCS does absorb a proportion of these increases (up to the fee cap), this impact on affordability directly acts as a disincentive to workers and services to increase wages¹³. The CCS also cannot be targeted. Any improvement to subsidy rates or fee caps to encourage the payment of higher wages will apply to services whether they pay improved rates or not. While out of pocket costs for families has increased by almost 85% since 2010, Award wages for educators have increased at half this rate¹⁴ - all while government funding for this sector has increased by billions. As staffing is one of the biggest contributors to program quality, and also to service delivery costs, it is clearly in the interests of government to ensure further investment flows directly to the workforce as it is intended.

There are multiple examples of direct, conditional wage subsidies as examples of how government funding can be used to ensure improved wages and conditions. For example, the Victorian Government provides a higher rate of per capita funding to kindergartens who are a signatory to the

¹¹ Minister Burke, Second reading speech, 27 October 2022:

<https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansard%2F26228%2F0017%22>

¹² <https://www.theguardian.com/australia-news/2022/oct/31/australia-needs-16000-new-educators-to-fill-shortfall-in-child-care-sector-inquiry-told> and <https://www.abc.net.au/news/2023-02-22/early-childhood-educators-crisis-wages-rise/101997336>

¹³ Low-paid 'women's work': why early childhood educators are walking out, 2018

<https://issr.uq.edu.au/article/2018/04/low-paid-%E2%80%98women%E2%80%99s-work%E2%80%99-why-early-childhood-educators-are-walking-out>, University of Queensland

¹⁴ Author's data from ABS Child care costs index and Fair Work Commission Children's Services Award 2010.

Victorian Early Childhood Teacher and Educator Agreement, a multiple employer agreement which covers most stand-alone kindergartens in the state¹⁵. Similarly in New Zealand, services receive a higher rate of supplementary funding relative to educator and teacher bargained wage outcomes¹⁶. A transition to a 30 hour universal access model provided through block funding, would provide the basis for which a subsidy program such as these could operate across the Australian ECEC system. Alternatively, an additional payment paid directly to services on proof of compliance with bargained/agreed minimum wages and conditions standards could apply.

OSHC specific issues

The OSHC workforce is unique in the education and care sector and requires special attention to ensure school age children also benefit from high quality service delivery. Unfortunately, there remains misalignment in the sector between the perceived role of OSHC educators and what is actually expected of the role under the National Quality Framework. There is low work value attributed to OSHC work with high casualization cited as the main reason for this.

In recent times, the OSHC sector have had to place caps on occupancy due to workforce shortages. In some cases, parents have been asked to collect their children directly from school as the OSHC have not had sufficient staff to meet minimum ratio requirements and to provide suitable and safe care environments after school.

The vast majority of the OSHC educator workforce are employed on a casual basis and work short shifts often being required to work a before and after school split shift each day. This type of casual work arrangement is often not suitable (or desirable) for qualified educators seeking permanent employment with regular hours. Even when offered permanent employment, many OSHC educators prefer the casual arrangement due to the significantly higher (25% casual loading) rate of pay in contrast to the benefits of personal or annual leave. The casual loading often compensates for the reduced hours of work available in OSHC. The best outcomes for children would be delivered if recreation and leisure pedagogues were employed full time and permanently in schools to plan programs and support children. With these pedagogues embedded in schools, particularly to support all children through transition to prep as well as before school, during recess and lunch, after school and during holidays periods, a continuity of care, leisure and learning would be provided for school age children.

There are still not nationally consistent child to educator ratios or qualification requirements for OSHC services. This impacts on the quality of OSHC services being delivered in different states. It is also not good enough that for many OSHC educators the only qualification they have access to is an early childhood qualification. This is not appropriate as OSHC is a very different setting with children in both early and middle childhood in their care. Attention is required to develop qualification

¹⁵ <https://www.education.gov.au/child-care-package/preschool/preschool-reform-funding-agreement>

¹⁶ New Zealand “free early childhood education” <https://childcarepolicy.net/new-zealands-funding-system-for-early-childhood-education-and-care-services/> FEBRUARY 12, 2023 BY GORDON

CLEVELAND

pathways specific to OSHC, including higher education degrees that reflect the complexity and importance of OSHC provision.

Coordinated Professional Learning Opportunities

In addition to urgent funding to improve wages and conditions, a national plan to deliver consistent, high quality and coordinated professional development across all qualifications and settings is needed. Currently there is no consistent entitlement to paid time for staff to access professional development, nor is there coordinated development programs delivered by approved and registered providers. Access to professional development is a key driver of quality improvement but is also valued by educators and teachers as a key attraction and retention measure. Support for professional development through mandating minimum entitlements to paid time for all staff and the development of coordinated PD programs as part of a national teacher and educator registration scheme will deliver these benefits most efficiently.

Recommendations:

- 7. That the Federal Government participates in and provides funding support for nationally coordinated Multiple Employer Agreement across the education and care sector. Delivering wages and conditions in line with comparable work in the education and care sectors.**
- 8. That Government funding for wages and conditions is provided to services demonstrating compliance with the improved minimum standards as negotiated through multi-employer bargaining. Transition to replicate NZ and Victorian models of higher block subsidy rates for services which pay the improved minimum conditions.**
- 9. That all recommendations of the Children’s Education and Care National Workforce Strategy be implemented.**
- 10. That the proposed National Early Childhood Teacher Registration Scheme be extended to include all education and care educators.**
- 11. That services are supported to provide accredited, coordinated professional development for all educators and teachers.**
- 12. That appropriate measures for immigration of suitably qualified educators and teachers, which support the local E&C sector and workforce are explored.**
- 13. Nationally consistent ratio and qualification requirements for OSHC are developed.**
- 14. Higher education institutes invest in OSHC specific qualifications to meet the specific needs of educators in this sector.**
- 15. Recreation and leisure pedagogues are employed full time and permanently in schools to plan programs and support children throughout the day, outside of school time.**

16. That Government funds the provision of coordinated professional learning support for E&C educators and teacher.

17. That Government funds the provision of coordinated professional learning support for E&C educators and teachers.

Ensuring high quality education and care

Since the implementation of the National Quality Standard (NQS) overall quality across Australian E&C services has improved.

This is a significant achievement which has resulted in improved outcomes for children across the country. However, there are still significant numbers of services which are struggling to achieve minimum standards, and workforce shortages are leading to increased numbers of staffing waivers.¹⁷ The most recent ACECQA data shows that 1737 services across Australia are not meeting the National Quality Standards, with seven services rated as ‘Significant Improvement Required.’¹⁸

Universal access to education and care must mean universal access to high quality services. We cannot accept a system where a family has a one in ten chance of their children attending a service that does not meet minimum standards.

To ensure quality across all providers, it is necessary to address two issues within the existing assessment and rating program. Firstly, across the country, it has been shown that state regulatory authorities have not been able to meet the assessment schedule originally set out when the NQS was established in 2018. Where the original goal was that all services would be assessed at least every three years, hundreds of services across Australia hold ratings that are older than this, with some as long as seven years between ratings¹⁹. With an average educator length of service in a centre of 3.6 years’ service²⁰ in the long day care setting, an entire generation of management and staff could have changed over such a long period. While services who are not meeting standards are regularly assessed, there are large proportions of the sector who are being missed, but who are not necessarily improving. As a guide to parents to help them to select high quality services, long periods between assessments undermine confidence in the system.

Secondly, where there are services which are assessed as not meeting minimum standards and there is no improvement, even after significant intervention, the regulatory system has limited means to enforce compliance. Beyond continued monitoring, the only other enforcement mechanism available for a service which does not improve is the cancellation of provider approval under the

¹⁷ Q4 2022 W9: Proportion of long day care services with a staffing waiver by jurisdiction and quarter
<https://snapshots.acecqa.gov.au/Snapshot/waivers.html>

¹⁸ <https://snapshots.acecqa.gov.au/Snapshot/qualityratingprogress.html>

¹⁹ <https://www.theage.com.au/national/victoria/ratings-system-monitoring-childcare-quality-falling-short-20220421-p5aezx.html>

²⁰ 2021 Early Childhood Education and Care National Workforce Census, August 2022, pg: vii
<https://www.education.gov.au/child-care-package/resources/2021-early-childhood-education-and-care-national-workforce-census-report>

Education and Care Services National Law. This is an incredibly high bar to meet and there must be direct evidence that continued provision presents unacceptable risk to the safety, health or wellbeing of the children being educated at a service²¹. If provider approval is cancelled, the service usually shuts down and it is families who bear the impact of the intervention. This is particularly difficult in areas where a poor-quality service may be the only service available in the area.

Establishing a program whereby, in the case of non-improvement, the service enters ‘administration’ may allow the service to remain open for families, while management issues are addressed. An approved ‘administrator’ provider may be brought in to support the improvement measures to be undertaken and/or to seek new management of the service. In this way, the impact of noncompliance rests with the service provider and not with families who rely on the service remaining operational.

Better integrated OSHC and School system

The OSHC sector is an underutilised and underrecognised asset within a school. OSHC provides a unique opportunity to deliver programs to enhance primary-school age children’s social, emotional, physical and cognitive wellbeing through play. The update to the Approved Learning Framework for School Age Care has a strengthened emphasis on play and educator practice that contributes to meaningful play opportunities and affordances for play within the OSHC environment.

A stronger emphasis on the transitions between school and OSHC is vital to support children’s learning, wellbeing and development more holistically. Unfortunately, to a large extent, the OSHC sector and schools continue to operate as silos. This is problematic for both children and families. Continuity of learning is a contributing factor to children’s success in both school and more generally in life (as active and contributing citizens). Families also expect that schools and OSHC work in partnership within a child-centred practice framework which enables information sharing and communication to support children’s growth and development. Unfortunately sharing between OSHC and schools is often lacking and one-way. Improving collaboration and continuity create a holistic and nurturing environment where all children can thrive.

Recommendations:

- 18. That funding to State Governments to deliver assessment and rating programs is sufficient to meet the original goals as set out by the NQS.**
- 19. That ACECQA is maintained and funded to deliver a nationally consistent quality program for E&C services.**
- 20. That current enforcement options for non-improving/ non-compliant services are reviewed for their effectiveness in ensuring minimum service quality and child safety. The review should consider establishing an ‘administration option’ for services which need urgent intervention to ensure the safety of children or services which do not demonstrate improvement.**

²¹ Education and Care Services National Law Act 2010, C 31(b)
<https://content.legislation.vic.gov.au/sites/default/files/2022-12/10-69aa017-authorized.pdf>

21. That Education Departments across Australia have high expectations that schools consider OSHC as a core component of their delivery and collaborate appropriate for best outcomes for children.

A balanced market for quality, access, and choice

The E&C market has grown remarkably in the previous two decades. The introduction of federal Child Care Assistance and Child Care Benefit subsidies saw a rapid expansion of services across Australia²². While increased provision has supported greater access to early childhood services, this growth has not been balanced and has not been without significant cost to the Australian Government. The unrestrained growth and subsequent collapse of ABC Learning in 2008 saw the Federal Government pay over \$100 million to prevent more than 1000 services across the country from closing²³.

The introduction of fee subsidies and the removal of operational subsidies to the community sector has seen a disproportionate growth in private for-profit provision of E&C. Almost all the growth in E&C services has been in the for-profit sector. Since 2015 the for-profit sector has grown by over 30% while the community not-for-profit sector declined by 8%. Over the past decade, the sector has also seen a shift in the proportion of the market operated by large providers, from 31% of the market to 35% since 2016²⁴. The for-profit sector now represents 68% of the long day care sector, 48% of the Outside School Hours Care sector and 51% of the overall E&C market²⁵.

This growth at the expense of the community run not-for profit sector comes at a cost for families, children and the government. Families are experiencing less choice of service when seeking care for their children. Children are, on average, less likely to be enrolled in a high-quality service, and governments receive less return on investment because subsidies are funding profit as well as programming²⁶.

Research has shown that the not-for-profit community-run services consistently receive higher quality ratings than the for-profit sector. This does not indicate that all for profit services are not high quality or that all not-for-profit services are, but that management type is a significant indicator of quality²⁷. Latest ACECQA data shows that 38% of not-for profit services are rated as exceeding the NQS compared to 19% of for-profit services. The largest proportion of excellent rated services are

²² Brennan, D and Oloban, M, Child Care in Australia A market failure and spectacular public policy disaster; <https://policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2009/04/Child%20Care%20in%20Australia.pdf> pg 120

²³ Ibid

²⁴ <https://www.acecqa.gov.au/nqf/snapshots> 2013-2022

²⁵ <https://snapshots.acecqa.gov.au/Snapshot/stateofthesector.html>

²⁶ The Economic Benefits of High Quality Early Childhood Education, Grundoff, M, The Australia Institute, March 2022 https://australiainstitute.org.au/wp-content/uploads/2022/04/Economic_Aspects_of_ECEC_in_Australia_FINAL.pdf pg: 30

²⁷ <https://childcarecanada.org/sites/default/files/OP31-A-bad-bargain-for-us-all.pdf> pg: 12

also from the not-for-profit sector²⁸, including all of the OSHC services rated as excellent are governed and operated by not-for-profit providers. At the other end of the spectrum, for-profit services also represented over three quarters of enforcement actions taken since 2015.

Along with higher quality, a recent report by the Australia institute shows that the benefits of increased government investment in ECEC are increased when directed to not-for-profit services. This is because the need to maintain a margin for financial return in for profit services diverts resources away from direct service provision. In addition, it distorts incentives for ECEC providers, encouraging them to reduce costs and quality to maximise financial returns for the owners. When estimating the improved returns in increased government investment the report found:

“If all the new funding was directed only to government and NFP providers, then the employment and GDP gains resulting from the expansion in ECEC funding would be higher than if allocated according to the current 50-50 split between FP and NFP and government providers. If all the new funding was directed to NFP and government services, it would create an additional 66,802 FTE positions. This is 8,444 (or almost 15 per cent) more than if the additional funding was allocated according to the current split of FP, NFP and government providers.” Pg 37²⁹

A balance in the market is necessary to ensure choice, improved quality and return on government investment. An overreliance on for-profit services to meet growth in demand has failed to ensure access to all families. For-profit services are incentivised to set up where there is existing high demand and high incomes to maximise income. This has resulted in the emergence of ‘childcare deserts’ in areas where quality ECEC services would most benefit communities³⁰. In contrast, in markets where there is the ability to charge high fees there is oversupply and low occupancy.

A balanced market needs to ensure that community not-for-profit services remain viable and can expand into communities where there is a need. There must be a genuine choice for communities who need access to E&C services about how that service is provided to them. Prior to 2000 the federal government recognised the importance of the community sector by providing additional operational funding. To grow this part of the sector there needs to be new programs developed to provide capital to establish new community-run services. Community services are also reliant on volunteer boards for the set up and operations. These boards need to be supported to provide this service through management and governance support systems. Without this investment in the community not for profit sector, access to services in areas of most need will continue to be limited and returns for government investment in the sector will be reduced.

Investing in community not for profit services will also ensure a balanced market between large and small providers. While the consolidation of the E&C sector does provide some advantages, the experience with ABC Learning shows the impact on children and families where this fails. A balance

²⁸ <https://snapshots.acecqa.gov.au/Snapshot/overallratings.html>

²⁹ The Economic Benefits of High Quality Early Childhood Education, Grundoff, M, The Australia Institute, March 2022 https://australiainstitute.org.au/wp-content/uploads/2022/04/Economic_Aspects_of_ECEC_in_Australia_FINAL.pdf pg: 37

³⁰ <https://www.vu.edu.au/mitchell-institute/early-learning/childcare-deserts-oases-how-accessible-is-childcare-in-australia>

of small and large providers minimises the risk of service failure across communities and excessive market consolidation, particularly in the for-profit sector must be avoided.

OSHC specific issues

One of the most significant impacts on demand and supply is the lack of facilities and infrastructure to meet the communities' needs for OSHC. CCC are aware that it is complex for schools to make adequate provision for OSHC given the school's priority to deliver a formal education program within their school environment and that 'formal education' spaces such as classrooms and libraries do not necessarily become available for use immediately upon school finishing for the day. There is limited understanding about how long children actually spend in OSHC and what constitutes high quality OSHC spaces, facilities and environments.

The National Quality Standard (NQS) addresses the 'physical environment' in Quality Area 3. It is interesting to note that this standard and its underpinning laws and regulations are those most frequently not met by the OSHC sector.

High quality OSHC spaces are intentionally designed for meaningful leisure and play. Indoor spaces need to offer a choice of activities to meet the broad needs and interests of school age children. These choices may include areas for arts and crafts; drama and music; reading and relaxation; de-escalation and sensory spaces; areas suitable for games and construction and spaces where children can catch up on homework etc. Quality OSHC environments are thoughtful and purposeful spaces that create a sense of belonging for children and children transition from their school day into these spaces when they are 'ready and waiting' for them.

Unfortunately, when it comes to the expansion of OSHC, there is frequently little more than consideration of the minimum indoor and outdoor square meterage space requirements to expand a service. What needs to be considered is the enabling of a learning environment that will support children's wellbeing and development in the full two hours+ prior to school starting and the full three hours+ following the completion of the school day and for full days during holiday periods. When Vacation Care hours are Included, OSHC services are open for more hours cumulatively than schools. Children's time spent in OSHC increases annually with the average number of weekly hours in the June 2022 quarter being 12-14 hours.

Recommendations:

- 22. That Local, State and Federal governments coordinate to monitor E&C service provision and ensure services are delivered in line with demand and community needs.**
- 23. That models to provide capital funding to support the establishment of new not-for-profit community led services are investigated, especially in areas of community demand.**
- 24. That programs are developed in conjunction with State and Local governments to provide governance, business, and management support to communities to establish and maintain not-for-profit services.**
- 25. That every school has appropriate and specific indoor space that meets the needs of children accessing OSHC.**

Part 2: Response to Inquiry considerations

Ensuring affordability and access

Transitioning towards a universal entitlement of 30 hours free early childhood education and care from birth to school-age will significantly improve affordability for parents and access for children. It is also a more equitable funding scheme, compared to a universal 90% subsidy, and will more fairly reduce the percentage of out-of-pocket costs across families. The entitlement of up to 30 hours is not compulsory and allows for families to access the hours of ECEC that best suit their needs. By creating a universal entitlement, the Activity Test is eliminated, allowing over 120,000 children who are currently locked out of ECEC to access minimum hours.

Access for vulnerable children and families is improved by the implementation of a block funding component. The current CCS can act as a disincentive for services to accept children with additional needs, especially when access to supplementary funding is difficult. Block funding models are able to more readily incorporate equity components based on children’s demographics, disability and location. Ensuring a universal entitlement also supports families and children experiencing vulnerability and/or disadvantage to access ECEC because it removes the perceived stigma associated with supported access schemes.

A balance between block funding and parent subsidies allows services to maintain viability while meeting the expectations of parents. Transitional arrangements including pilot schemes, voluntary participation and appropriate fee transparency measures would be required to balance services’ operational viability with improved value for money for families and government.

Table 2: 30 hours free E&C family savings per week³¹

	Ave 32 hours/ week		40 hours/ 4 days		50 hours/ full time	
Base rate 2022/25	savings per week	% out of pocket	savings per week	% out of pocket	savings per week	% out of pocket
80,000	\$38.22	0.17%	\$38.22	0.83%	\$38.22	1.66%
90,000	\$45.86	0.18%	\$45.86	0.88%	\$45.86	1.77%
100,000	\$53.51	0.19%	\$53.51	0.93%	\$53.51	1.85%
110,000	\$61.15	0.19%	\$61.15	0.96%	\$61.15	1.93%
120,000	\$68.80	0.20%	\$68.80	0.99%	\$68.80	1.99%
150,000	\$91.73	0.21%	\$91.73	1.06%	\$91.73	2.12%
180,000	\$114.66	0.22%	\$114.66	1.10%	\$114.66	2.21%
200,000	\$129.95	0.23%	\$129.95	1.13%	\$129.95	2.25%
220,000	\$145.24	0.23%	\$145.24	1.14%	\$145.24	2.29%
250,000	\$168.17	0.23%	\$168.17	1.17%	\$168.17	2.33%
280,000	\$191.10	0.24%	\$191.10	1.18%	\$191.10	2.37%
300,000	\$206.39	0.24%	\$206.39	1.19%	\$206.39	2.38%

³¹ Authors calculations – based on 1 July 2023 CCS subsidy rates and the current CCS hourly fee cap.

320,000	\$221.68	0.24%	\$221.68	1.20%	\$221.68	2.40%
350,000	\$244.61	0.24%	\$244.61	1.21%	\$244.61	2.42%
380,000	\$267.54	0.24%	\$267.54	1.22%	\$267.54	2.44%
400,000	\$282.83	0.25%	\$282.83	1.23%	\$282.83	2.45%
450,000	\$321.05	0.25%	\$321.05	1.24%	\$321.05	2.47%
480,000	\$343.98	0.25%	\$343.98	1.24%	\$343.98	2.48%
500,000	\$359.27	0.25%	\$359.27	1.25%	\$359.27	2.49%
530,000	\$382.20	0.25%	\$382.20	1.25%	\$382.20	2.50%

Table 3: Proportion of out-of-pocket costs 90% subsidy v 30 hours free

4 Days / 40 hours	90% universal subsidy	30 hours free
Base rate 2022/25	% of income	% out of pocket
80,000	2.60%	0.83%
90,000	2.31%	0.88%
100,000	2.08%	0.93%
110,000	1.89%	0.96%
120,000	1.73%	0.99%
150,000	1.39%	1.06%
180,000	1.16%	1.10%
200,000	1.04%	1.13%
220,000	0.95%	1.14%
250,000	0.83%	1.17%
280,000	0.74%	1.18%
300,000	0.69%	1.19%
320,000	0.65%	1.20%
350,000	0.59%	1.21%
380,000	0.55%	1.22%
400,000	0.52%	1.23%
450,000	0.46%	1.24%
480,000	0.43%	1.24%
500,000	0.42%	1.25%
530,000	0.39%	1.25%

Strengthening developmental and educational outcomes for Australian children, including preparation for school

A universal entitlement to access high quality, age appropriate, play-based early childhood education and care in the years before school puts this objective at the heart of government policy. It removes the current barriers to access of both cost and workforce participation for hundreds of thousands of children. A transition to a block funded model would allow greater targeting of government resources towards quality and equity outcomes for children compared to the current

system. Recognising the education and care system as key part of the overall education system and part of a child’s lifelong learning journey, will reduce system complexity and support parent choice, smoothing the transition to school.

Coordinated planning and investment in community run, not-for-profit services will ensure a more balanced sector with services that can respond to the unique needs of their communities. Community-run services are best placed to deliver targeted programs targeted that support families and ensure that all children have the best start in life and in school.

Supporting economic growth and workplace participation

The average woman with pre-teenage children in Australia works 2.5 days a week³². Removing the cost barrier by providing free ECEC for up to 30 hours per week, immediately provides an incentive for women within this age group to increase their average hours. Equally important is ensuring that the entitlement is available across all service types so that families can access the model of ECEC which best meets their needs for extended hours care or out of hours care.

30 hours free universal ECEC also means the opportunity costs of increasing to a fourth or fifth day of work are reduced. The full income from the first 30 hours or three days of work, significantly offset the out-of-pocket costs for the fourth and fifth day. However, as noted previously, appropriate fee restraint conditions must be in place to ensure this outcome.

Improving outcomes for children and families experiencing vulnerability and/or disadvantage, First Nations children and families, and children and families experiencing disability

The current CCS funding system creates disincentives for services to set up in areas of disadvantage and to accept children with high needs. This is because it is not flexible and not targeted on a needs basis. This has resulted in a lack of appropriate services in areas of high disadvantage and vulnerable children missing out.

A move to a block funded universal access entitlement, which can be implemented flexibly as hours or days, allows for a greater targeting of government funding based on community need. It also can support services to open in areas of need by providing security of operational income, ensuring a minimum level of service viability.

Support for the sector to move from Award reliant to coordinated enterprise bargaining allows for the development of greater career paths and specialisation within the ECEC workforce. Coordinated workforce agreements, backed by appropriate government funding would allow the sector to better identify and remunerate key roles to provide greater specialist support for children.

³² Childcare and early education systems, June 2022: www.fawcettsociety.org.uk pg: 36

Improving the efficiency and effectiveness of government investment in the sector.

A new funding system that more clearly balances the needs of the child and the support for workforce participation would allow greater targeting and efficiency of government investment, aligning with the values and priorities of the time. Block funding creates a clear pathway for government funding to be targeted to ensure quality, access and workforce development while parent directed subsidies can be more easily adjusted to reflect economic factors including average incomes, tax policy and welfare arrangements without impacting core operations.

Investing in the workforce through participation in a coordinated sector enterprise bargaining process would allow the government to have a direct say in how funds should be allocated to support policy objectives, including professional development time, improved career paths and planning arrangements, which are efficiently enforced through workplace agreements.

Transition to an education and care sector fit for the future.

Putting children, their wellbeing and their success at the centre of education and care policy by resetting outdated and ineffective funding mechanisms, will create the foundations for a sustainable transition to an education and care sector fit for the future.

Similar ambitious universal ECEC programs in Ireland, Canada and in the extension of pre-school hours in states including Victoria and NSW show that a staged approach is sustainable and achievable.

By addressing the four pillars of universal access, professional workforce, quality improvement and a balanced sector, the vision for a ‘universal, affordable education and care – in the great tradition of universal Medicare and universal superannuation.’ is possible.





Contact us

Thank you for your consideration.

If you would like to discuss this proposal, please contact CCC .

We look forward to a conversation about this submission.

Yours sincerely,



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