

Victorian Government submission

Productivity Commission Inquiry into the early
childhood education and care sector

Executive Summary

The Victorian Government welcomes the opportunity to make a submission to the Productivity Commission's inquiry into the early childhood education and care sector in Australia (the Inquiry) in response to its call for submissions.

With 90% of a child's brain developing before the age of five, investments in the earliest years of life are among the highest return investments available to governments.¹ Early childhood education and care (ECEC), whether provided through centre-based day care or preschools, all support early learning and enable parents and carers to participate in the workforce and study.

Universal and equitable access to early childhood programs on a national scale would improve children's developmental outcomes, and boost workforce participation and economic development.²

The draft National Vision for Early Childhood Education and Care (National Vision), as requested by National Cabinet, is an opportunity for all Australian governments to align priorities and work together towards a common set of outcomes for children and families.

The Victorian Government has committed \$14 billion to expand kindergarten programs in the state through the Best Start, Best Life program of reform. This includes universal 3-year-old preschool and doubling preschool hours in the year before school.

Without a national approach to the provision of preschool, the gap in children's access to preschool across Australia will increase over the next decade, as will outcomes. Australia is at a critical point in time to review the current system and assess whether the national architecture is set up to support the future growth and investment needed to deliver a consistent national ECEC offering.

The Victorian Government submission addresses key themes in the Productivity Commission's Terms of Reference as follows:

- Section 1 outlines the opportunity presented by the draft National Vision for governments to work collectively with stakeholders to develop a consistent national approach to ECEC provision and to increase and amplify the impact of investment in early learning.
- Section 2 highlights the benefits of a universal national early childhood offering for early childhood development, workforce participation and gender equality.
- Section 3 details the limitations of the current funding and delivery model and the issues caused by fragmentation and inefficiencies in the ECEC system, vertical fiscal imbalance in ECEC investment, the overreliance on market provision and the impact of insufficient funding for equity and access.
- Section 4 outlines the need for governments to expand their sector stewardship to address the most significant factors limiting the scale and impact of reforms, including workforce, infrastructure and provision, quality, and equity and accessibility.
- Section 5 sets out opportunities for immediate reforms to the current Child Care Subsidy arrangements and long-term funding reforms to support the realisation of the National Vision.

Through the Inquiry, Victoria encourages the Productivity Commission to develop recommendations that will support:

- a coordinated national approach to universal ECEC that includes an entitlement to a consistent national preschool offering, inclusive of 15 hours of 3-year-old and 30 hours of 4-year-old preschool
- increased Australian Government investment across key areas of ECEC reform and more active sector stewardship to realise the outcomes that are sought
- streamlined roles and responsibilities to reduce fragmentation in ECEC and better leverage combined investment
- a sequenced approach to national reforms, with opportunities for immediate reforms that will provide the foundation for longer term reform.

¹ Heckman, J. (2021). Invest in early childhood development: Reduce deficits, strengthen the economy. https://heckmanequation.org/www/assets/2013/07/F_HeckmanDeficitPieceCUSTOMGeneric_052714-3-1.pdf

² Senate Select Committee on Work and Care. (2023). Final Report. https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Work_and_Care/workandcare/Report

1. National Vision for Early Childhood Education and Care

1.1 Victorian Landscape

Victoria is a leader in early years investment and reform, recognising children's right to thrive and the long-term benefits of universal and targeted programs from the antenatal period through to when children start school.

In Victoria, ECEC services are delivered by a range of organisations, including private for-profit, not-for-profit, community service organisations, schools, and local government. The ECEC market relies on partnerships between 3 levels of government and service providers. This makes it a diverse market offering a range of options, but also one that is complex and requires active stewardship and partnership to achieve reform.

The Victorian Government has committed \$14 billion to expand kindergarten programs in the state through the Best Start, Best Life program of reform.

- from 2023, Free Kinder is available for all Victorian 3- and 4-year-old children at participating services
- the rollout of universal 3-year-old kindergarten – which commenced in 2020 – is already well progressed across the State, and 15 hours per week of service will be available to all children by 2029
- 4-year-old kindergarten will transition to 'Pre-Prep' – increasing to a universal 30-hour-a-week program of play-based learning for every 4-year-old child – this will commence roll out in 2025, and be complete by 2032
- 50 Victorian Government-owned, affordable early learning centres, including kindergarten, Pre-Prep, and other early childhood services where possible, will be opened across the state in areas of unmet demand.

The Best Start, Best Life reform reflects the high ambition that the Victorian Government has for the ECEC sector within Victoria and the priority placed on ensuring children have the best start in life.

The Victorian Government has also made investments in Outside School Hours Care (OSHC) to close the gaps in access to these services, particularly for children with disability, and for families living in regional Victoria, for whom services are rarely available. Victoria's investment is in response to the failure of the market to provide these services under the current national funding settings. This includes funding for 400 new or expanded OSHC services and a nation-leading initiative of high-intensity OSHC services in specialist schools.

The Victorian experience shows it is possible to design and stage multi-year reforms, with the collaboration and cooperation of the sector, to achieve outcomes for young children and their families.

1.2 National Landscape

Delivering improved ECEC is a national priority and shared responsibility across all levels of government. There is growing momentum for ECEC reform across all jurisdictional governments, with Victoria already undertaking significant reforms to expand access and the duration of their preschool programs. Without a national approach, the gap in children's access to preschool across Australia – and hence their outcomes – will increase over the next decade.

There is an opportunity to develop a consistent national approach to ECEC provision and to increase and amplify the impact of investment in early learning. Australia is at a critical point in time to review the current system and assess whether the national architecture is set up to support the future growth and investment needed to deliver a universal national ECEC system, including a universal offer to preschool in the two years before school.

On 31 August 2022, National Cabinet agreed to work together on a long-term vision for ECEC to better support parents' workforce participation and deliver improved early learning and child development outcomes. Education and Early Years Ministers are leading this work, and National Cabinet will consider a final version of the National Vision later in 2023.

The National Vision reflects the principles of equity, affordability, quality, and accessibility agreed by National Cabinet. The National Vision is an opportunity for all Australian governments to align priorities and work together towards a common set of outcomes for children and families.

Victoria encourages the Inquiry to consider and make recommendations as to how reform of the national ECEC funding model, beyond the introduction of a universal 90% Child Care Subsidy, could support the realisation of the National Vision over time.

Victoria encourages the Inquiry to consider and provide recommendations on how effective and efficient realisation of universal and equitable access to quality ECEC – including preschool – can be achieved nationally.

1.3 Aboriginal and Torres Strait Islander families

The draft National Vision includes a focus on shaping ECEC systems around the needs of Aboriginal and Torres Strait Islander children and families. The National Vision includes an outcome specific to Aboriginal and Torres Strait Islander children, that Australia grows its First Nations and Aboriginal community-controlled workforce and recognises the importance of children seeing themselves, their identities, and cultures reflected in their environment.

Achieving this will require respect for Victoria's commitment to Treaty, Truth and self-determination, and additional investment combined with a responsive approach to funding, policy and regulation that delivers culturally safe and inclusive education and care in both community-controlled and general services.

Victoria is committed to ensuring that young Aboriginal and Torres Strait Islander children and their families receive culturally safe early years services. This includes dedicated funding, prioritised enrolment in kindergarten programs and engagement and communication activities to help ensure access to early childhood education, initiatives under the Marrung Aboriginal Education Plan and Wungurilwil Gapgapduir Aboriginal Children and Families Agreement.

Victoria encourages the Inquiry to consider how governments can build on the commitments embedded into the National Agreement on Closing the Gap and the National Aboriginal and Torres Strait Islander Early Childhood Strategy and actively support communities impacted by intergenerational trauma and discriminatory policies that perpetuate disadvantage. This could include consideration of how the settings, eligibility criteria and operational requirements for key funding streams such as the Commonwealth Child Care Subsidy could better meet the needs of Aboriginal and Torres Strait Islander children, families, and services.

2. The benefits of a universal national early childhood system

2.1 Benefits to child development

Multiple studies have shown that investment in quality early childhood services is one of the most effective ways to improve educational outcomes. Quality early childhood education is key to improving children's outcomes before, during and after the school years.

International research links 2 years of high quality, teacher led preschool with better cognitive outcomes, improved independence, concentration, and sociability.³ Evidence shows that children in Grade 3 who went to preschool were 15 to 20 weeks ahead of those who did not. By age 16, students who attend two or more years of preschool will have better cognitive and social skills, higher exam scores, and are more likely to pursue further study.^{4,5}

International experience indicates that when implemented well, for example, in Ontario, there are significant educational benefits for children who access 30 hours of kindergarten. Ontario increased the hours of 4- and 5-year-old children from part-time in the school system to full-time (30 hours) in the school system – using an early childhood education approach similar to Victoria's preschool programs. Research shows Ontario children now score higher on literacy and numeracy, and self-regulation.⁶

Research shows that the social, emotional, and cognitive benefits are greater for disadvantaged children who participate in preschool programs for more than 15 hours a week, and these benefits are sustained and realised in later life outcomes.⁷

Access to 2 years of preschool particularly supports those with a disability, developmental delay or additional needs to learn and thrive.⁸ Children in vulnerable or disadvantaged circumstances are much more likely to be developmentally vulnerable in one or more domains at school entry. Accessing early childhood education

³ Australian Institute of Health and Welfare. (2015). Literature review of the impact of early childhood education and care on learning and development: working paper.

⁴ Warren, D., and Haisken-DeNew, J. (2013). Early Bird Catches the Worm: The Causal Impact of Pre-School Participation and Teacher Qualifications on Year 3 National NAPLAN Cognitive Tests. Melbourne Institute Working Paper No. 34/13.

⁵ Heckman, J. (2008). Schools, Skills, Synapses, National Bureau of Economic Research, 46(3), 289-324.

⁶ Pelletier, J., and Corter, J. (2019) A longitudinal comparison of learning outcomes in full-day and half-day kindergarten, *The Journal of Educational Research*, 112:2, 192-210.

⁸ Sammons, P., Sylva, K., Melhuish, E. C., Siraj-Blatchford, I., Taggart, B. and Elliot, K. (2003). The Effective Provision of Pre-School Education (EPPE) Project: Technical Paper 8a -Measuring the Impact of Pre-School on Children's Cognitive Development over the Pre-School Period. University of London.

significantly reduces the risk of developmental vulnerability for all children, particularly those in vulnerable or disadvantaged circumstances.⁹

Analysis of the Australian Early Development Census found that children who attended some form of early childhood education before starting school were half as likely to have developmental vulnerabilities when they started school, when compared to children who did not attend an early learning program.¹⁰ This is also further research that conclusively identifies a causal link between increased quality of ECE and raised impact on the outcomes for children with a disability, developmental delay or additional need.¹¹

Universal access to a kindergarten program, rather than one targeted for particular cohorts, has benefits for all children. Children experiencing vulnerability and disadvantage are more likely to attend universal kindergarten because it is more available, and enrolment and attendance are normalised. A universal kindergarten program is also associated with improved outcomes for all children, regardless of their background.

Investment in early childhood positively influences outcomes across a lifetime. Estimates of the benefit-cost ratio of such investment are as high as \$17 for each dollar initially spent based on analysis of the Perry Preschool Program targeted at highly disadvantaged children, while more modest estimates place this ratio at \$2-4 for every dollar invested in universal preschool.¹² These benefits flow through a child's life from higher productivity and earning capacity and reduced government spending on health, welfare, and crime.¹³

A universal national ECEC system – including a universal preschool offer – will better prepare Australia's workforce and economy to be globally competitive.

2.2 Benefits of increased workforce participation and improved gender equity

A universal national ECEC system that provides access to high quality ECEC from ages 0-3 and an entitlement to a harmonised national preschool offer for 3- and 4-year-old children would support more primary carers to participate in the workforce and support greater gender equality in Australia's labour market.

Greater engagement with the labour force creates long term career benefits for parents and carers. Shorter career breaks ensure workers' skills remain current, translating into a more productive and higher skilled workforce. Fewer extended career breaks increase the likelihood of primary carers returning to the workforce in the longer term and to a full-time role.

With 94% of primary carers being women, affordable ECEC plays a key role in the pursuit of greater gender equality. Women who remain out of the workforce for the full period that their child is under five experience a range of penalties that impact their lifetime earnings. Research suggests that:

- there is a wage penalty of 20% for women who take extended child-related career breaks, which permanently reduces their average earnings by 20%.
- 22% of women who take an extended child-related career break (i.e., more than 12 months) do not return to the workforce.
- 22% of women who take an extended child-related career break and return to work are expected to shift from full-time to part-time work for their remaining working life.¹⁴

By 2032-33, Victoria's Best Start Best Life reforms are expected to increase Victoria's workforce by up to 24,800 FTE and increase the total working hours for primary carers by 8 to 11%. This will increase the available workforce across the economy with disproportionately positive impacts for female-dominated sectors like education, health services, and accommodation, that are all facing skills shortages.

Increased workforce participation will substantially increase income tax revenue and enable parents to earn more throughout their lifetimes.¹⁵

⁹ Pascoe, S., and Brennan, D. (2017). *Lifting Our Game: Report of the Review to Achieve Education Excellence in Australian Schools through Early Childhood Interventions*. Melbourne, Victoria.

¹⁰ Goldfeld, S. et al. (2016). 'The Role of Preschool in Promoting Children's Healthy Development: Evidence from an Australian Population Cohort', *Early Childhood Research Quarterly*, vol. 35, pp. 40-8.

¹¹ Sammons, P., Sylva, K., Melhuish, E. C., Siraj-Blatchford, I., Taggart, B., and Elliot, K. (2003), *The Effective Provision of Pre-School Education (EPPE) Project: Technical Paper 8a -Measuring the Impact of Pre-School on Children's Cognitive Development over the Pre-School Period*. University of London.

¹² Pascoe, S., and Brennan, D. (2017). *Lifting Our Game: Report of the Review to Achieve Education Excellence in Australian Schools through Early Childhood Interventions*. Melbourne, Victoria.

¹³ The Front Project. (2019). *A Smart Investment for a Smarter Australia: Economic analysis of universal early childhood education in the year before school in Australia*. <https://www.thefrontproject.org.au/images/downloads/ECO%20ANALYSIS%20Full%20Report.pdf>

¹⁴ Arun, S. V., Arun, T. G., and Borooah, V. K. (2004). The effect of career breaks on the working lives of women, *Feminist Economics*, 10(1), 65-84.

¹⁵ Malik, R. (2018). *The effects of universal preschool in Washington, DC: Children's learning and mothers' earnings*. Washington, DC: Center for American Progress.

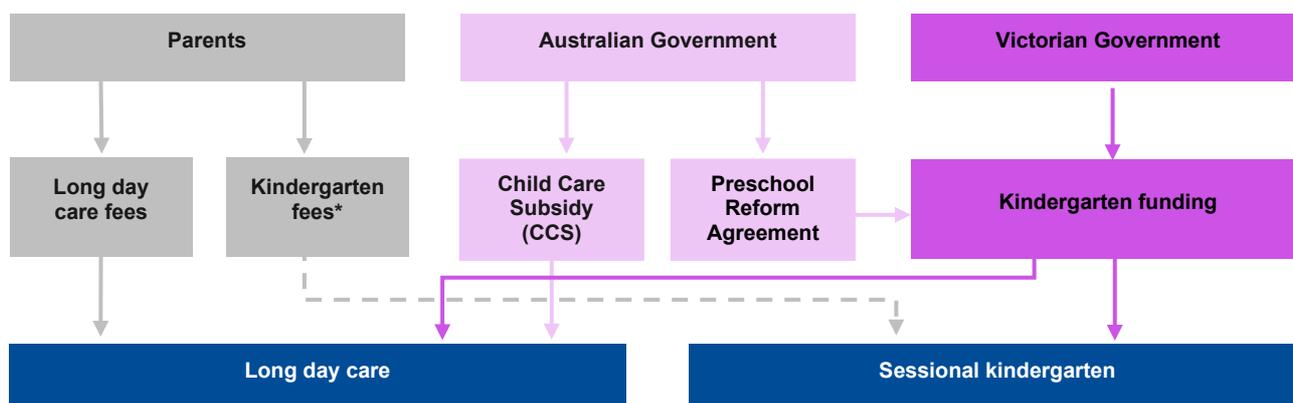
3. Limitations of the current funding and delivery model

3.1 Fragmented and inefficient ECEC system

Australia's current ECEC system is fragmented, creating inefficiencies and limiting governments' ability to effectively utilise the range of funding, policy and contracting levers available.

ECEC system funding in Victoria includes parent fees, Australian Government funding through the Child Care Subsidy (CCS) and the Preschool Reform Agreement, and State Government funding for preschool. Services delivering similar programs have different funding arrangements in different sectors and settings. As a result, similar programs can attract different amounts of funding, in different ways, under different rules.

Australian and Victorian funding for preschool



* Sessional kindergartens that have not opted into Free Kinder may still charge fees for preschool hours, and Free Kinder works as a \$2000 offset to parent fees in long day care kindergarten programs in addition to the CCS. Currently, 97 per cent of services have opted into Free Kinder in Victoria.

The diagram above does not represent all the programmatic lines of funding available from either the Australian or Victorian Governments, but it does present a clear picture of the fundamental difference in the funding available in different settings for the same preschool offer.

In Victoria, kindergarten funding is provided for both sessional and long day care kindergarten enrolments, above what is provided in the Preschool Reform Agreement. This includes Free Kinder, equity funding, and support for inclusion, quality and workforce attraction and retention. In long day care services, this funding is provided in addition to the CCS to pay for the additionality of a teacher-led, higher quality kindergarten program and to increase the affordability of the service (through Free Kinder). However, sessional services offering either 5 or 7.5 hour a day programs that provide ECEC to support both early learning and parents' work and study – are not able to access CCS funding or its equivalent. Sessional services are not able to access CCS for wrap-around or preschool holiday hours. Further, the Activity Test (see Section 5.2.2) is currently only waived for the 15 hour 4-year-old preschool program. It does not exempt 3-year-old kindergarten or the increased hours of Pre-Prep.

Funding complexity leads to blurred roles and responsibilities, which limit governments' ability to effectively utilise the range of funding, policy and contracting levers available to shape the whole system to get the best outcomes for families and children.

For example, to support provision in rural and regional locations, Victoria provides a minimum kindergarten funding rate equivalent to 18 places in locations with a single service to support ongoing financial viability. This allows small services, including sessional kindergartens and long day care centres in isolated locations, to continue to operate. However, this same systematic support is not provided by the Australian Government through the current funding model for non-kindergarten hours of care, meaning there is no systematic thin market support for long day care services.

3.2 Vertical fiscal imbalance

The economic benefits of states and territories' investment in ECEC flow primarily to the Australian Government. This vertical fiscal imbalance is a barrier to state-level reforms and necessitates a national approach to ECEC investment.

Under current arrangements, the tax revenue generated by investments to increase the participation and dosage of early childhood education by states and territories flow primarily to the Australian Government through increased income tax revenue from carers re-joining the workforce or increasing their working hours.

There is also financial benefit to the Australian Government in the avoidance of future social services costs and decreased government expenditure. Economic analysis commissioned by the Front Project and completed by PwC identified reductions in health issues related to obesity and smoking, more people in the workforce and reduced involvement in the justice system as part of a \$1.2 billion reduction in social costs to governments from each cohort of Australian children attending a quality early childhood education program¹⁶.

The Victorian Government has committed \$14 billion to deliver the Best Start, Best Life reforms with no additional contribution from the Australian Government towards these reforms. Even factoring out Three-Year-Old Kindergarten and just focusing on other elements of the reform (\$9 billion), the Best Start, Best Life reforms are expected to increase Australia's real Gross Domestic Product by \$2.0-\$2.8 billion and increase Australian Government tax revenue by between \$523 million to \$823 million a year over the next 40 years.

As Victoria continues to expand its 3-year-old and 4-year-old kindergarten offering up to a total of 1800 hours, the Australian Government funding provided in the Preschool Reform Agreement contributes a very small share of total kindergarten costs, funding a notional 200 hours of kindergarten (without taking into account Free Kinder, equity, quality, workforce, or infrastructure funding). At the same time, the increased Australian Government taxation revenue from increased workforce participation will grow with Victoria's investment.

The Victorian Government's investment in outside school hours care through the High Intensity OSHC Initiative, which also has no additional contribution from the Australian Government, was estimated to generate between \$3.5 and \$5 million each year in benefits that accrue to the Australian Government through income tax revenue and reduction in service costs within the National Disability Insurance Scheme and in-home care. This benefit is more than 50% of the cost of delivery of the initiative to the Victorian Government.

The Australian Government should share the costs of expanding access and dosage to benefit Australian children and families to encourage further reform and reflect the financial benefits it receives.

3.3 Overreliance on market provision

The Australian Government's primary funding mechanism, the CCS, relies heavily on market forces to drive the delivery of services. Victoria's experience is that the market does not respond effectively to provide a consistent standard of service and access in areas of demand.

The demand driven market model has resulted in gaps in provision and misalignment between provision and demand in some areas.¹⁷ Research conducted by the Mitchell Institute found that about 1.1 million Australians live in regional and remote areas with no centre based childcare available, and more than 5.3 million Australians who live in major cities, or about 29%, are in areas classified as 'childcare deserts'. There are incentives for providers to operate in advantaged areas where they can charge higher fees, even if there is greater competition, leaving more disadvantaged areas with lower levels of childcare accessibility. In some places in Victoria, the number of children under 4 years old vastly exceeds the availability of childcare places.

For example, in the Loddon Elmore region, north of Bendigo, there were 34 children under 4 for every childcare place. The Victorian Government has committed to establishing 50 new government-owned Early Learning Centres across Victoria in areas with the greatest need through the Best Start, Best Life reforms. To further improve accessibility and assist working parents and carers, where possible, the centres will be co-located with schools to avoid the double-drop off, and alongside hospitals, TAFEs, and major employers. However, this can only be a partial solution to this issue, which requires the Australian Government to provide a structural funding solution.

This shortfall of available childcare in regional Victoria also affects children of school age. In 2021, only 30% of schools in regional Victoria had an onsite OSHC service, compared to 77% of schools in metropolitan Melbourne. While the Victorian Government has supported the establishment of OSHC at many regional schools, including relatively small schools, it is likely that some of these services may require ongoing funding or other support.

The Australian Government funding via the CCS and Preschool Reform Agreement is currently not meeting the true costs of early childhood education provision. The per-child funding rates do not fully account for the costs associated with ECE provision – including infrastructure, quality and fair pay and conditions to support workforce attraction, retention, and quality.

The recently announced \$18 million from the Australian Government in grants to establish new services through the Community Child Care Fund is welcome, but on a population share basis, it is likely to support only a handful of new services.

¹⁶ the Front Project (2019). A smart investment for a smarter Australia. [Cost-benefit analysis brochure.pdf \(thefrontproject.org.au\)](#).

¹⁷ Hurley, P., Matthews, H., and Pennicuik, S. (2022). Deserts and oases: How accessible is childcare? Mitchell Institute, Victoria University.

The reliance on market provision, combined with an almost entirely demand-side funding model that does not account for the true cost of provision or structure funding in a way that incentivises and addresses these costs. This means that the market has not consistently provided to the standard necessary in key areas of quality, equity, inclusion, workforce supply and infrastructure. In particular, the cost of providing suitable programs for children of all ages with disability greatly exceeds that which is subsidised by CCS, leaving services unviable without other sources of funding.

For the full benefits of a national approach to ECEC to be realised, a revised approach to funding and sector support is required to ensure adequate provision in these areas is required.

3.4 The system is expensive and complex for families to navigate

Australia's current ECEC system is fragmented and difficult for families to navigate and make informed decisions about the ECEC that best suits their family.

Families may choose an ECEC service that does not meet their requirements or limit their use of ECEC because of the difficulty in understanding their out-of-pocket expenses due the funding complexity and not being able to estimate how much of their costs will be covered by the CCS. This complexity creates uncertainty, making it difficult for parents to apply for jobs or re-join their workplace and be confident about their entitlements and understand the financial impacts of childcare.¹⁸

The high cost of ECEC leads to some families making decisions on setting, duration and timing based on minimising their out-of-pocket expenses or care requirements rather than the most suitable arrangement for their workforce participation and their children.

All families, especially disadvantaged families and families with fluctuating incomes, face challenges to navigate the system and avoid overpayments and debts. The pressures of high costs, limited options and potential financial hardship create substantial barriers for disadvantaged families to access the system at all, much less access their full entitlement.

Victorian reforms have sought to reduce this complexity and improve the accessibility of the system. Through Free Kinder, families can access kindergarten for free in a sessional setting or receive a \$2,000 fee offset in a long day care setting. This mechanism is simple, easy for families to understand and universal, giving parents the confidence they need to make plans to return to work or increase their hours.

The expansion of universal 3-year-old kindergarten and 3-year-old preschool also contributes to removing barriers for parents of children aged 3 and above with simple and clear entitlements.

Reductions in the complexity of the system could be achieved without any change in funding rates. A simpler system is likely to drive increased workforce participation for parents and increased access to education and care for children who need it most.

3.5 Insufficient funding for equity and access

Under current arrangements, some children experiencing vulnerability and disadvantage, and children with additional needs are not receiving additional care and support when they need it. Parents report having greater difficulties in accessing childcare for children with additional needs, both in finding suitable care and children being asked to leave care.¹⁹

While childcare services report positively on their commitment to inclusion and the use of inclusive techniques to support children with additional needs, many also express concerns about meeting the needs of all children if a particular child needs intensive support.²⁰

A 2021 evaluation of the Australian Government's Inclusion Support Program found issues around the adequacy of the rate of additional funding provided to increase the educator-to-child ratio in a care environment, to support the inclusion of children with high ongoing support needs, and inflexibility of the program with regard to the number of hours a child was in ECEC. The evaluation also found that the base levels of qualification of ECEC staff did not encompass inclusion adequately and that there was a need for, and strong interest in, professional development, although existing arrangements frequently made obtaining this difficult.

Opportunities to invest additional funding for equity and access are discussed in Section 4.4.

¹⁸ J. Rob Bray et al., *Child Care Package Evaluation*. Australian Institute of Family Studies, 202.

¹⁹ Bray, J. R., Baxter, J., Hand, K., Gray, M., Carroll, M., Webster, R., Phillips, B., Budinski, M., Warren, D., Katz, I., Jones, A. (2021). *Child Care Package Evaluation: Final Report*. (Research Report). Melbourne: Australian Institute of Family Studies.

²⁰ Bray, J. R., Carroll, M., Baxter, J., Budinski, M., Gray, M., (2021). *Evaluation of the Inclusion Support Program*. (Research Report). Melbourne: Australian Institute of Family Studies.

4. Sector Stewardship

On its own, the market will not be able to implement what is required to support step change in the quantum and quality of provision of ECEC, including an expanded universal preschool offer. This is not only a matter of tackling thin markets. Rather, there are a series of features of the ECEC sector that make an active stewardship approach essential. These features include the longstanding undervaluing of a skilled, female-dominated workforce relative to the impact that the workforce has on social and economic outcomes for the nation. They also include the intrinsically vulnerable nature of the primary client (young children), the time-critical pressure on parents and carers to accept available ECEC in order to be able to work and study, the emotional costs of changing services, and the non-repeatable nature of ECEC. Further, the location and proximity to services such as schools, other services, and hubs, where possible, matters to both accessibility and service connection. This means that an uncoordinated, atomised pattern of ECEC provision is sub-optimal.

The Victorian Government has increased its sector stewardship and investment to support the rollout of the Best Start, Best Life reforms, including through several initiatives that support workforce, infrastructure, quality, and equity. To deliver on its commitment to building a universal and affordable ECEC sector, it will be necessary for the Australian Government to adopt a stronger, more coordinated approach to sector stewardship and accountabilities in partnership with states and territories.

Given the diversity of sectors across Australia, roles and responsibilities will need to delineate between challenges best solved nationally and those that need to reflect local contexts and sector make-up. This approach would support coherence across systems, while allowing jurisdictions flexibility to support their systems effectively.

4.1 Workforce

Victoria encourages the Inquiry to consider how the Australian Government could invest further in the early childhood workforce and improve workforce supply.

Quality ECEC and positive relationships with early childhood professionals are linked to improved outcomes in areas that matter for success later in life, including those related to language, literacy, numeracy, and social and emotional wellbeing. Evidence shows quality matters, with programs led by a degree-qualified teacher and supported by qualified educators (as in preschool programs) being higher quality on average.²¹

Attracting, training, and retaining a high-quality workforce is critical to sustaining and growing the early years system in a way that ensures children and families have access to quality services. The pay and conditions of the workforce have consistently been identified as having a sizeable impact on attraction and retention and a key barrier to providing access to high quality ECEC.²²

Victoria has demonstrated that it is possible to make strategic investments that improve workforce supply, even in the face of an expanded service offer and the challenges of a pandemic. Victoria's short-term workforce measures aim to attract already-qualified people to the sector, including the use of specialised recruitment agencies, providing financial incentives and relocation payments and the online Early Childhood Jobs Board (released in 2021). Medium to long-term strategies focus on measures to retain and attract new educators and teachers, including introducing Free TAFE for Priority Courses, scholarships, and programs to support traineeships and innovative university pathways, professional development, mentoring and coaching support.

Victoria acknowledges the Australian Government's recent commitment to provide \$72.4 million nationally over 5 years to support the skills and training of workers in the early childhood education and care sector in the 2023-24 Budget. While this investment is welcome, it is not sufficient given the size of the workforce challenges within Australia's ECEC system. By supporting enterprise bargaining and assisting in the establishment and renewal of key enterprise agreements, the Victorian government has played a key role in increasing salaries and improving the career progression for early childhood teachers and educators employed by Victorian funded preschool providers. These enterprise agreements capture almost all sessional services and some long day care services. Although the Victorian Government was not a party to these negotiations, the government has supported representatives to participate in bargaining for these agreements, including by providing additional funding to offset the cost of improvements to salaries and conditions. Specifically, the Victorian Government pays a higher per capita funding rate for preschool providers that are a party to such agreements. By making access to this higher funding rate contingent on being a signatory to one of these agreements, or negotiating an equivalent agreement with its own workforce, the government is incentivising more providers to offer better salaries, conditions, and career opportunities.

²¹ Tayler, C. (2016). The E4Kids Study: Assessing the effectiveness of Australian early childhood education and care programs. Overview of findings at 2016. Final report to the Partner Organisations of the Effective Early Educational Experiences (E4Kids Study).

²² Senate Select Committee on Work and Care (2023). Final Report. https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Work_and_Care/workandcare/Report

However, a pay disparity remains for other early childhood teachers and educators not covered by such enterprise agreements, and those that are subject to minimum terms and conditions of employment under the Children's Services Award 2010, which accounts for approximately 55% of the ECEC workforce in Victoria, primarily in the long day care sector where Victoria has limited levers to influence providers. Pay and conditions in parts of the long day care sector act as a constraint on efforts by states and territories as well as limiting the Australian Government's own ambitions to improve access to early childhood education and care and lift workforce participation.

To realise the ambition of the National Vision, the Australian Government will need to take a more active role in addressing workforce challenges and utilise its full range of levers to support workforce attraction nationally. This includes using levers within the federal industrial relations landscape, taking account of ongoing changes to the Fair Work Commission and significant legislation reform to the *Fair Work Act 2009 (Cth)* to embed gender equity and continue to support multi-enterprise bargaining for lower paid sectors.

Beyond getting these fundamentals right, it is critical that the Australian Government strongly supports and expands on the National Early Childhood Workforce Strategy. This includes a range of higher education opportunities such as investment in more accelerated, innovative initial teacher education programs, scholarships to support early childhood educators and teachers to upskill, encouraging professionals from other sectors to join the ECEC workforce and additional Commonwealth Supported Places for early childhood teaching at universities across 2023 and 2024. Improving access to the data the Australian Government holds, such as the Higher Education Information Management System, including disaggregated qualification level data, would also assist in workforce planning by enabling states and territories to have a better understanding of the pipeline of early childhood teachers.

There is also an opportunity for the Australian Government to consider wrap around migration support for overseas-trained teachers (including housing, migration advice and other services) as part of the finalisation of its Migration Strategy. It will also be important to ensure changes to migration settings as part of the Strategy, including streamlining qualification recognition processes for early childhood teachers.

4.2 Infrastructure and provision

Victoria's approach to investment in infrastructure is driven by creating greater certainty, flexibility and investment for our sector partners and managing infrastructure requirements strategically in a way the market cannot without intervention. For example, to support the expansion of preschool to 3-year-olds, the Victorian government has committed \$1.68 billion over a decade for early childhood infrastructure. Funding to expand infrastructure will predominantly be delivered through co-investment to optimise existing resources and deliver new projects when and where they are needed.

Victoria has developed the Building Blocks program, which changes the way Victoria works with our partners to make investment decisions. Under the program, the Department of Education:

- Works with local government to develop a Kindergarten Infrastructure and Services Plan (KISP) that agrees the current supply and demand for funded kindergarten in that area and forecasts demand and expectations about how demand growth will be accommodated over the rollout. These documents are publicly available to inform investment decisions in the ECEC market.
- Works with interested not-for-profit providers (including local governments) to agree a Building Blocks Partnership. These are multi-year, in-principle agreements for co-investment in multi-site 'project pipelines' that build capacity for kindergarten over a number of years within agreed funding parameters. These agreements give partners the long-term certainty needed to plan investment in infrastructure and service expansion.
- Offers a rolling cycle of one-off Building Blocks grants that can be applied for at any time within planning cycles by not-for-profit providers and are typically assessed semi-annually. This ensures that Victoria can work with the sector to rapidly respond to emerging infrastructure priorities.
- Builds new services on government school sites to provide new, co-located services and help families avoid the double-drop off.

The Australian Government currently provides grants through the Community Child Care Fund (CCCF) to address issues in maintaining service delivery in disadvantaged, regional and remote communities, and Indigenous communities. Achieving the principles set out in the draft National Vision requires the Australian Government to take a more active and strategic role in provision planning and targeted investment in infrastructure (and additional service delivery support where needed) beyond the CCCF.

In addition, providing states and territories with increased access to Australian Government data would improve supply and demand forecasts for early childhood services and enable the development of strategic

partnerships between governments to intervene where market forces are not able to deliver the infrastructure and service provision needed. Victoria's Building Blocks program provides various models for how these partnerships could operate.

Victoria encourages the Inquiry to consider how the Australian Government can work in partnership with states and territories to deliver increased funding for infrastructure and provision that will provide greater access to high quality services and increase strategic planning to meet forecast population growth.

4.3 Standards and quality of service provision

As active sector stewards, governments can signal direction, drive quality and equity of service provision and embed continuous improvement through funding relationships with services that incentivise quality. Victoria has invested in improving the quality and equity of funded preschool programs; however, for services and program types funded by the Australian Government, this same investment has not occurred.

The importance of Australia's regulatory framework for ECEC – which drives safety and compliance as well as continuous improvement – is acknowledged both nationally and internationally. Given its importance, as Victoria's service delivery expands as a result of the preschool reforms, additional proportionate resources will be provided to Victoria's early childhood regulator for compliance and assessment and rating activities.

In the final year of the National Partnership on the National Quality Agenda (2017–18), the Australian Government provided \$26.1 million, of which \$20.3 million was directed to state regulatory authorities to support quality. The latest annual report for the Australian Children's Education & Care Quality Authority (ACECQA) indicates that only \$14.5 million was provided by the Australian Government to ACECQA to support its operations with additional funding (\$13.9 million from all governments) provided for specific additional projects (e.g., Joined Up Approvals, Starting Blocks, NQAITS upgrade).²³

Funding for regulation of the early childhood sector has decreased in real terms since 2018, while the number of services regulated under the National Quality Framework has increased by 8.4%. Expenditure on the CCS is expected to grow from \$10.7 billion in 2022–23 to \$12.8 billion in 2023/24.²⁴ Funding for the regulation of ECEC should keep pace with the growth and size of Australian Government investment in the sector and reflect the resourcing needs of the regulatory authorities who have such a significant role in ensuring the safety and quality of the sector.

Victorian capacity building programs for preschool, such as the Kindergarten Quality Improvement Program, the Early Years Assessment and Learning Tool, and School Readiness Funding, help services offer high quality, equitable services. This capacity building is a necessary companion piece to an effective regulatory regime.

The lack of a systemic and resourced focus on building capacity to deliver quality in CCS funded early learning services is a historical anomaly, given the importance of high-quality early learning to children's outcomes (particularly for those who are vulnerable, disadvantaged or have additional needs). The limited focus on quality in CCS funded services is striking when contrasted against the intensive focus on increasing quality provision and student outcomes for children once they start school. Through the Inquiry, the Productivity Commission could consider opportunities for the Australian Government to use its investment to support quality as well as affordability through:

- additional support for services to improve their quality ratings under the National Quality Standard (NQS) ratings system, especially for services funded primarily by CCS where state and territory governments do not have the lead responsibility or levers for this capacity building
- the re-introduction of a National Partnership on Quality with funding from the Australian Government to support each state and territory to actively regulate the sector.

4.4 Equity and Accessibility

Victoria encourages the Inquiry to consider how the funding system can be improved to support participation and drive better outcomes for vulnerable and disadvantaged children in ECEC. Victoria's experience is that carefully designed strategies and targeted investment, in addition to core per-child funding, are key enablers of equity and access to early childhood services, particularly for children experiencing vulnerability or disadvantage, children with additional needs, and Aboriginal and Torres Strait Islander children. This includes:

- Since 2019, the Victorian government has provided preschool equity funding – called School Readiness Funding – resourcing kindergartens to address the impacts of educational disadvantage

²³ Australian Children's Education and Care Quality Authority. (2022). Annual Report 2021/22. <https://www.acecqa.gov.au/resources/research/acecqa-annual-reports>

²⁴ Australian Government Department of Education (2022). Portfolio Budget Statements 2022–23, Budget Related Paper No. 1.5, Education Portfolio

experienced by some children, with the goal of ensuring all children attending a funded kindergarten program get the best start to their learning.

- The Victorian Government provides a number of dedicated programs to ensure children who need extra support are able to participate in kindergarten. This includes Kindergarten Inclusion Support and Preschool Field Officers for children with disability or developmental delay; Early Childhood LOOKOUT and Flexible Support Packages for children in out-of-home care or affected by trauma; and outreach workers in culturally and linguistically diverse communities to support enrolment in services.
- The Victorian Government's High Intensity OSHC Initiative allows children with disability at six schools to access outside school hours care. These programs, which operate with high educator to child ratios, are the only ones of their type in Australia, and deliver a variety of economic and effective benefits to the children and families accessing them.

While Victoria has a broad range of programs reducing barriers to participation and supporting equitable access for all children, these primarily support access to kindergarten, where Victoria has the most influence.

Achieving the principles of equity and accessibility set out in the draft National Vision will require the Australian Government to increase its sector stewardship, particularly in services funded by the CCS. It also requires consideration of how the Australian Government can remove barriers to accessing universal early years services and provide complementary and integrated support for vulnerable and disadvantaged families through national funding and policy settings, including Medicare, the National Disability Insurance Scheme (NDIS) and income support.

5. National ECEC Funding Reform

There is a significant opportunity to consider a revised approach for funding the ECEC sector to enable the delivery of a universal national early childhood system over the next decade.

In addition to supporting a universal, national preschool offer, funding reform could assist with effective system stewardship and, through that, support higher outcomes for children, families, and communities. The current Commonwealth ECEC funding model is heavily focused on demand-side (i.e., parent) subsidies. A complex demand-side funding model that focuses on the characteristics of parents would be unnecessary in a move to a flat 90% subsidy. But beyond this, we note that an almost purely demand-side funding model limits the Australian Government's ability to be an active system steward – for example, to systematically support the additional legitimate costs of services in delivering outcomes (e.g., in disadvantaged communities and/or thin markets). A model that included significant, reliable supply-side funding streams could do a great deal to help shape the market to deliver more of what is needed to support outcomes, including better supporting the workforce – especially if paired with active local engagement and facilitation where needed and sector-wide strategies.

Long term reforms are likely to need to be sequenced over time, given the need for significant additional funding and funding reform, as well as workforce, infrastructure and change management on the part of both governments and the sector. However, there are immediate reforms to the current CCS arrangements that would deliver rapid increases in workforce participation and access for children experiencing vulnerability and disadvantage. These changes would set Australia on a path toward achieving the National Vision and could and should be implemented rapidly.

5.1 A funding model to support the National Vision

Victoria is supportive of a 90% CCS rate, which would improve the affordability of ECEC and enable more primary carers to participate in the workforce and support greater gender equality in Australia's labour market and welcome the explicit consideration of this change within the Terms of Reference for the Inquiry.

However, the current CCS approach, which excludes funding being provided to sessional settings, is unlikely to deliver the high-quality, universal ECEC sector Australia needs. Consideration should also be given to broader ECEC funding reform that would support the realisation of the National Vision and that is:

- underpinned by the principles set by National Cabinet for the draft National Vision of equity, affordability, quality, and accessibility.
- supports an entitlement to a nationally consistent preschool offer that may be scaled over time and increase funding to states and territories to allow this to occur.
- works with states and territories to determine ECEC system stewardship roles aligned to our respective strengths, and appropriately recognises the role of states and territories as system managers of preschool.

- provides equitable funding to all jurisdictions and does not disadvantage early movers such as Victoria in subsequent national funding arrangements.
- supports Aboriginal and Torres Strait Islander self-determination, including through community-controlled early learning centres, strong and sustainable community-controlled organisations, and greater opportunities for Aboriginal people to pursue early childhood careers
- removes fragmentation in the ECEC sector and makes it easier for parents and providers to navigate the system.
- accounts for and supports all the key elements of provision of ECEC, including costs related to workforce, infrastructure, quality, and equity.

Victoria encourages the Inquiry to consider how the provision of equity funding to ECEC services for educationally disadvantaged children (similar to Victoria's School Readiness Funding) could support participation and drive better outcomes for these children. This should be in addition to strengthening support and associated funding levels for the inclusion of children with disabilities, developmental delays and/or additional needs.

One model the Inquiry could consider would be to provide jurisdictions with CCS equivalent funding for preschool regardless of the setting it is delivered in. A sector-neutral funding model would remove the financial imbalance and level the playing field for long day care and sessional settings. Under this model, states are not penalised for their sector mix, sequencing of reform and speed of innovation. States would then be able to design a delivery model that worked best for families and supported parent choice. The CCS could be administered through the Preschool Reform Agreement, with a clear delineation of funding that was for core service provision versus additional funding that may be for reform.

Beyond the mechanisms for delivering funding, Victoria notes that under any funding model, the overall quantum of national funding will need to increase substantially to achieve the National Vision. The funding model should provide long term certainty on funding levels and conditions to promote long term planning by governments and sector participants and unlock investment in the sector.

5.2 Immediate changes to the Child Care Subsidy settings

There are several opportunities for immediate reform to current CCS arrangements to reduce barriers to affordability and participation.

5.2.1 Access the CCS for sessional kindergartens for wrap around hours

The current CCS policy settings do not allow sessional kindergartens or school-based providers to access the CCS to provide additional hours of care, which is a barrier to kindergartens expanding their services to offer integrated education and care.

Immediate changes to the CCS that enabled sessional and school-based providers to access the CCS for wrap around hours would increase families' access to integrated learning and care, lift workforce participation and expand families' choices about the types of settings that meet their needs.

5.2.2 The Activity Test

The Activity Test should be removed as it is a barrier for women returning to work, adds to the complexity and compliance for families and limits access for those with the most to gain from ECEC, namely children experiencing vulnerability and disadvantage.

The Australian Parliament Select Committee on Work and Care has found that the Activity Test can make ECEC prohibitively expensive for parents, the majority of whom are women, who cannot engage in paid work or training because they may have other unpaid caring or domestic responsibilities.²⁵

Analysis by Impact Economics and Policy found that the Activity Test increases the costs of searching for employment, creates an additional barrier for women looking to return to work or increase their hours of work and contributes to 126,000 Australian children from low-income households missing out on ECEC.²⁶

5.2.3 Other Child Care Subsidy restrictions

Further changes to the Additional Child Care Subsidy could support services to increase support for children and families experiencing vulnerability. Noting that there have been some improvements to the eligibility and administration of the subsidy, the continued requirement to provide new evidence of continued vulnerability

²⁵ Select Committee on Work and Care (2023). Final Report. https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Work_and_Care/workandcare/Report

²⁶ Jackson, A., McKenzie, M., Grey, E. (2023). Child Care Subsidy Activity Test: Incentive or Barrier to Labour Force Participation? Impact Economics and Policy.

every 13 weeks is prohibitive and does not recognise the sustained nature of vulnerability for many families. It creates a heavy administrative burden for service providers and can serve as a disincentive to engage vulnerable children in their programs.

The 'allowable absences' rules for the CCS disproportionately impact Aboriginal and Torres Strait Islander children. Consideration should be given to the allowable absence rules for priority cohorts to ensure the system is accessible for children who need it most.

5.2.4 Third-party payment of gap fees

The rules around the third-party payment of gap fees for the CSS limit states and territories' ability to deliver preschool reforms in long day care settings.

Victoria has an exemption from these rules as part of Free Kinder until 2025 to contribute \$2,000 to parent fees for children accessing kindergarten in long day care. However, this exemption is time-limited and creates uncertainty for the sector. The general limitation on these payments reduces policy flexibility and restricts Victoria's ability to increase affordability for families in preschool programs or State-owned services. This seems contrary to the stated policy intention of improving affordability.

Appendix 1: The Victorian ECEC Sector

In Victoria, a range of universal and targeted ECEC services support more than 400,000 children from birth to 5 years of age and their families.

ECEC services are delivered by a range of organisations, including private for-profit, not-for-profit, community service organisations, schools, and local government. The ECEC market relies on partnerships between 3 levels of government and service providers. This makes it a diverse market offering a range of options, but also one that is complex and requires collaboration to achieve reform.

In Victoria, kindergarten funding is available for 3-and 4-year-old children in a range of settings. Kindergarten can be sessional or integrated and is delivered in stand-alone/sessional or long day care settings. Victoria funds all services that meet the requirements for funded kindergarten regardless of the setting, and kindergarten participation is high.

Funding for kindergarten is provided on a per capita basis in Victoria with additional loadings to target the needs of children who require additional support, such as children from disadvantaged backgrounds and children with additional learning needs. In long day care services, Victorian funding sits on top of CCS funding, to support the additionality of a quality, teacher-led preschool program and the affordability of this offer to parents/carers. In Victoria, roughly 60% of children participating in kindergarten do so through sessional kindergarten programs and 40% through long day care services.

ECEC services

Type and number of ECEC services in Victoria

As of June 2022, almost 4,900 ECEC services operate in Victoria. Of these, approximately 2,750 services deliver funded kindergarten.

Service type	Number	Description
Long day care (LDC)	1,818 37% of services	Primarily aimed at birth to 5 years of age (school entry age) Usually based in a centre and offered for at least 8 hours a day for a minimum of 48 weeks per year LDC services may also offer funded kindergarten (the vast majority of LDCs in Victoria offer a kindergarten program)
Family day care	167 4% of services	For children from birth to 12 years of age and provided in the educators' own home.
Stand-alone kindergarten services	1,202 25% of services	4-year-old children (year prior to school) and 3-year-old children may attend a service that only provides "sessional" kindergarten programs - usually 5 or 7.5 hours per day.
Outside School Hours Care (OSHC)	1,430 29% of services	For primary school-aged children outside school hours, for example, after school and during school holidays Care is often provided on curriculum days OSHC programs are usually located at or close to primary schools.

Other EC services (under the <i>Child Wellbeing and Safety Act</i>)	262 5% of services	Children's services not covered by the National Law, including limited hours, short term (for example, care at gyms), occasional care and early childhood intervention services.
--	-----------------------	--

Workforce

In 2021, the total ECEC workforce in Victoria was estimated to be 50,238, comprising 23% of the national workforce. 75% were working in a centre-based long day care setting.

National data indicates 84% of the workforce have an ECEC-related qualification: 30% have a certificate III or IV, 42% have an advanced diploma or diploma, and 12% have a bachelor's degree or higher in an ECEC-related field.

System quality and regulation

The NQF includes an assessment and quality ratings process against 7 quality areas of the NQS. In Victoria, services are assessed by the Regulatory Authority - Quality and Regulation Division (QARD) based within the Department of Education.

The rated quality of Victorian services is improving, with a 6% reduction of services assessed as 'Working Towards NQS' from 15% to 9% between 2018 and June 2022.

Kindergarten services are the highest performing services in Victoria, with 96% of assessed services having an overall rating of Meeting NQS or above.

Overall, Victorian services are above the national average for both Exceeding NQS (27% compared to 26%) and Meeting NQS (63% compared to 60%).

Appendix 2: Key Victorian initiatives

Key programs and projects

Best Start Best Life – a \$14 billion over 10 years program to make kinder free across the state, deliver a new year of universal Pre-Prep for 4-year-olds and establish 50 state-owned early learning centres (ELCs). This expands on the Three-Year-Old Kindergarten reform.

<p>Three-Year-Old Kindergarten reform</p>	<p>Establishes universal access to a 15-hour a week program for all 3-year-old children by 2029. Launched in 2019, the \$5 billion reform is rolled out in stages over 10 years.</p> <p>In 2020 and 2021, up to 15 hours were made available per week in 21 local government areas. This was expanded in 2022 to the rest of the state, meaning that all Victorian children now have access to at least five hours per week of funded Three-Year-Old Kindergarten. In 2023, there were significant increases in available hours at many services.</p> <p>Access and service delivery will be expanded over the coming years as participation increases and services scale up their hours to reach the full 15-hour program.</p>
<p>Free Kinder</p>	<p>From 2023, Free Kinder supports families to access:</p> <ul style="list-style-type: none"> • a free 15-hour program for 4-year-old children at a sessional service (with a subsidy of \$2500 to services) • a free 5 to 15-hour program for 3-year-old children at a sessional service (subject to the length of funded program offered, with pro-rata funding) • offsetting the funded kindergarten program component of parent fees for 3 and 4-year-old children at long day care services (\$2000).
<p>Pre-Prep</p>	<p>From 2025, 4-year-old kindergarten will begin a transition to become a universal, 30-hour-a-week program of play-based learning available to all Victorian children in the year before school. This will be fully rolled out by 2032.</p>
<p>50 government-owned and operated ELCs</p>	<p>To be delivered in areas of greatest need, the ELCs include affordable childcare, 3-year-old kindergarten, Pre-Prep and (where possible) co-located services, including maternal and child health (MCH), parenting support, and supported playgroups. The first centres will open in 2025.</p>

Increasing access to outside school hours care – since 2018, the Government has committed over \$114 million to expand access to outside school hours care at schools, and for children and families, least likely to have suitable services available, particularly schools in regional Victoria and specialist schools.

<p>400 new or expanded OSHC services</p>	<p>Increases provision of and access to OSHC services at schools where these are not available, to promote re-engagement in the workforce, particularly among women, for those unable to access suitable care. \$81 million has been committed over four years, with the first new services commencing in July 2021.</p> <p>Over the first three rounds of funding, 338 schools have received grants to facilitate the establishment of new services or to expand existing services to offer</p>
--	--

	<p>new sessions of care. A final round is open during 2023, and it is expected that over 400 schools will eventually be funded.</p> <p>Schools and providers operating these new services are provided with dedicated support to ensure services have the best chance of being viable in the longer term.</p>
High Intensity OSHC Initiative	<p>The High Intensity Outside School Hours Care Initiative provides after school and vacation care to children with disability at six schools. These programs are fully funded by the Victorian Government to reduce a longstanding gap in access to suitable and affordable OSHC services for these children and their families and carers.</p>

Learning and development

Victorian Early Years Learning and Development Framework (VEYLDF)	<p>The approved learning framework under the NQF to guide the work of professionals working with children from birth to 8 years.</p> <p>VEYLDF is linked to the Victorian Curriculum F-10 and is also approved by, and delivered in partnership with, the Victorian Curriculum and Assessment Authority.</p> <p>It includes 5 learning and development outcomes that children:</p> <ul style="list-style-type: none"> • have a strong sense of identity • are connected with and contribute to their world (community) • have a strong sense of wellbeing • are confident and involved learners • are effective communicators. <p>VEYLDF supports continuity of learning from early childhood settings to primary school, provides a consistent language for professionals, and fosters partnerships among ECEC, school and OSHC educators and other early years professionals.</p>
Early Years Assessment and Learning Tool	<p>An online, validated and observation-based tool to support early childhood teachers and their co-educators to understand and respond to children's strengths, interests, and abilities through an ongoing cycle of observation, analysis, planning, implementation, and reflection.</p> <p>The tool supports best practice application of the VEYLDF by gathering information aligned to its 5 outcomes and the Victorian Curriculum F-10. This helps early childhood teachers share information with school colleagues to support transitions to school. It is not an interview or test, but a tool to empower kindergarten teaching teams to identify suitable next steps in children's learning.</p>
Early Childhood Languages Program	<p>Involves 220 participating kindergartens, reaching almost 8,000 children per year, and providing employment for 150 language teachers.</p> <p>The program supports services to deliver 22 languages, including 5 Victorian Aboriginal languages and Auslan, through resources including:</p> <ul style="list-style-type: none"> • an early childhood language teaching methodology course, aligned to the VEYLDF and delivered by the University of Melbourne • the Quality Support Program (teaching resources, online community of practice, mentoring, webinars, forums)

	<ul style="list-style-type: none"> • deaf awareness training • access to resources via the Languages and Multicultural Education Resource Centre and Juice Bar, a suite of story-based resources supporting preschool languages learning.
--	---

Kindergarten access and enrolment

Kinder Tick (kinder brand)	<p>Helps families find a funded kindergarten program and builds understanding that kindergarten is delivered in long day care and stand-alone (or sessional) services.</p> <p>Services that meet kindergarten funding requirements are eligible to display 'Kinder Tick' signage and branding to demonstrate that:</p> <ul style="list-style-type: none"> • the program is led by a qualified teacher • children benefit from play-based learning • the program is funded and approved by the Victorian Government • the program complies with government guidelines and the NQF.
Find a Kinder	<p>A website, available in over 100 languages, allows parents to search for kindergarten programs by location: 2-to-40-kilometre radius from any address. A map and list of programs in long day care or stand-alone settings is then provided.</p> <p>To locate and access information on 3-year-old kinder, parents can call the Three-Year-Old Kindergarten Enquiry Line (1800 338 663).</p>
Central Registration and Enrolment Scheme (CRES)	<p>Provides a single point for families to apply for multiple kindergarten services within an LGA. 55 councils with over 900 kindergarten services participate.</p> <p>The department supports LGAs delivering a CRES via:</p> <ul style="list-style-type: none"> • annual administrative support grants which contribute to the ongoing operating costs of schemes • one-off development grants to establish, enhance and expand schemes • guides, tools, and templates to support the implementation of the CRES best practice model. <p>The scheme ensures consistent, inclusive, and equitable access to kindergartens and strengthens links to local support services, including MCH and family support services.</p> <p>This improves early identification and engagement of children and families who need more support to access kindergarten and navigate the kindergarten system, including those experiencing vulnerability or from CALD backgrounds.</p>

Addressing disadvantage

Kindergarten Fee Subsidy (KFS)	<p>Historically, the KFS has enabled eligible children to participate in a funded sessional kindergarten program free of charge or at a low cost. Eligibility includes children who identify as Aboriginal, children in families who hold a Commonwealth Health Care Card or an eligible refugee or asylum seeker visa and children who are from a multiple birth of triplets or more.</p> <p>From 2023, all children at sessional kindergarten services participating in Free Kinder will receive a free kindergarten program. Eligible children at sessional</p>
--------------------------------	--

	<p>kindergarten services that do not participate in Free Kinder will continue to receive KFS.</p>
Pre-purchased kindergarten places	<p>Provides reserved places in identified areas for vulnerable and disadvantaged children to enrol in services when their family has missed out on enrolment deadlines.</p>
Early intervention for vulnerable children	<p>Early Childhood Lookout Program is now an ongoing component of Victoria's early intervention system to support young children impacted by trauma and instability to participate in kindergarten and strengthen transitions to school. It forms part of the department LOOKOUT centres to support children and young people in out of home care through their education.</p> <p>Access to Early Learning is a targeted early intervention program at 23 sites across Victoria that employs qualified facilitators to actively reach out to families that face multiple barriers to enrolling and attending quality kindergarten.</p>
School Readiness Funding (SRF)	<p>SRF provides funding to services for programs and supports, which build the capacity of the workforce and benefit children, particularly children experiencing educational disadvantage.</p> <p>Funding is provided directly to services with the amount informed by Student Family Occupation and Education data and other key indicators.</p> <p>Funding can be used on items from the Menu of Evidence-informed Programs and Supports to improve outcomes for children in priority areas:</p> <ul style="list-style-type: none"> • communication (language development) • wellbeing (social and emotional) • access and inclusion. <p>Depending on the funding amount, services can access allied health experts to build capacity at the service, arranged by the department.</p>
Best Start	<p>Formal partnerships of local agencies and service providers that plan, deliver, and monitor evidence-based strategies to improve outcomes for children, support collaboration across services, integrate service delivery and improve quality in a local area.</p> <p>Best Start places a strong emphasis on prevention and early intervention and has a particular focus on all Aboriginal children and children experiencing vulnerability.</p>
Child Information Sharing Scheme (CISS) and Child Link	<p>CISS expands legal permissions for professionals in authorised universal and targeted services to share information with each other to promote the wellbeing or safety of children. CISS requires organisations to respond to information requests.</p> <p>Information sharing is facilitated by Child Link, a digital tool that combines information from existing Victorian government IT systems to create a single source of consolidated and secure information about every child in Victoria. Child Link is accessible only to authorised professionals responsible for child wellbeing and safety, including in MCH services, ECEC, schools and child protection. Child Link was piloted in 2022 through the progressive training and onboarding of users and will continue to scale across user workforces from 2023.</p>

Additional supports for culturally safe and inclusive kindergartens

<p>Programs for Aboriginal and Torres Strait Islander children</p>	<p>The below initiatives supplement the Marrung Aboriginal Education Plan 2016–26, a strategy led by the Department of Education and the Victorian Aboriginal Education Association Incorporated to support Koorie Victorians to achieve their learning aspirations, starting in the early years.</p> <ul style="list-style-type: none"> • Koorie Kids Shine at Kindergarten supports engagement in 3 and 4-year-old kindergarten by raising awareness about the importance of early education for Koorie children • Early Start Kindergarten ensures access to a free 15-hour kindergarten program for 3-year-old Koorie children (to be superseded by universal 3-year-old kindergarten when fully rolled out) • SRF programs delivered by Aboriginal community-controlled organisations. <p>Victoria's Multifunctional Aboriginal Children's Services are designed to meet the educational, social, and developmental needs of Aboriginal children. These services provide long day care and at least one other form of childcare or activity, such as a kindergarten program, outside school hours care, playgroups, nutrition programs and/or parenting programs to the community.</p> <p>Victoria has also established two Aboriginal Child and Family Centres, one in the City of Whittlesea, Melbourne and one in Bairnsdale, East Gippsland. The centres provide early childhood and family support services, including long day care, kindergarten for 3 and 4-year-old Koorie children, visiting Maternal and Child Health nurses, counsellors, midwives, and other universal services.</p>
<p>Programs for culturally and linguistically diverse (CALD) children, including those from newly arrived migrant or refugee backgrounds</p>	<p>CALD children are less likely than the overall population to participate in a kindergarten program. Programs to address this include:</p> <ul style="list-style-type: none"> • Language Loop telephone, video, and onsite interpreting services, which are particularly valuable when discussing a child's learning and development progress and supporting school transitions • Foundation House Early Years Program supports the inclusion of families from refugee backgrounds through professional learning and resources, consultancy, and collaborative projects. This program is funded until December 2023 • Family Learning Support Program provides outreach support to vulnerable CALD families living in public housing. Delivered by the Brotherhood of St Laurence, bicultural workers support families to connect with early childhood services, transition to kindergarten and school, and build confidence to engage in place-based learning activities at home. <p>The department's kindergarten enrolment and program materials have been translated into more than 25 priority languages.</p>
<p>Programs for children with a disability or a complex medical need</p>	<p>Kindergarten Inclusion Support provides funding to services to create inclusive environments and meet individual needs through:</p> <ul style="list-style-type: none"> • staff training • minor building modifications • additional staffing and

	<ul style="list-style-type: none"> • access to specialist expertise. <p>The Preschool Field Officer program provides capability building for specialist teachers who work with services to assess children and support teachers to design educational programs for children with developmental concerns.</p> <p>The Building Blocks Grants – Inclusion stream provides funding to kindergartens to upgrade early childhood buildings and facilities (including playgrounds), and purchase equipment to provide safe and more inclusive environments for children of all needs and abilities.</p> <p>Buildings and playgrounds: These grants fund infrastructure upgrades of up to \$200,000 to make kindergarten activities safer, more inclusive, and accessible to children of all abilities.</p> <p>Equipment: These are grants of up to \$10,000 for moveable inclusive education equipment, such as mobility stools and sensory equipment for kindergarten programs.</p>
--	--

Workforce

<p>Pay and conditions</p>	<p>Victoria recognises the need to support services to offer better pay and conditions to their kindergarten teachers and educators to drive better workplace conditions and increase retention and program quality within the sector.</p> <p>In 2021, the Fair Work Commission approved two new enterprise agreements designed to improve the pay and conditions for early childhood education and care professionals.</p> <p>To increase the number of services covered by these agreements, the Victorian Government provides a higher per capita rate to services that are signatories to the Enterprise Agreements or analogous agreements.</p> <p>This funding helps services to cover the costs of increased salaries and offset the costs of employing more experienced teachers in funded kindergarten programs.</p>
---------------------------	---

<p>Attraction</p>	<ul style="list-style-type: none"> • Early childhood scholarships of up to \$25,000 to support and encourage people to study to become early childhood teachers. Up to \$34,000 is available for Aboriginal people through the Aboriginal Pathway Scholarships program. • Innovative Initial Teacher Education initiatives including: <ul style="list-style-type: none"> ○ compressed degrees allowing diploma-qualified educators to upskill and become early childhood teachers while continuing to work, with financial and mentoring supports to assist students to complete degrees ○ funding for 100 educators who face barriers to up-skilling ○ partnerships between kindergarten services and Victorian universities to improve student placements, promote early childhood careers to dual qualified students (also eligible to work in primary schools) and provide professional learning and research opportunities. • Financial incentives for eligible teachers and educators joining or re-joining the Victorian early childhood sector or taking up roles at priority services, such as those in hard-to-staff locations.
-------------------	--

	<ul style="list-style-type: none"> • Free TAFE - Certificate III in Early Childhood Education and Care and the Diploma of Early Childhood Education and Care, are on the Free TAFE course list to strengthen the educator pipeline. • Early childhood educator traineeships program to enable up to 200 job seekers in 2022–23 to undertake a Certificate III in Early Childhood Education and Care while being paid to work in an early childhood service and receive wrap-around supports. • Recruitment supports, including the Early Childhood Jobs website, which allows professionals to find jobs that suit their work preferences and supports services with their recruitment, and a panel of specialist recruitment agencies which has been established to support eligible services to employ teachers and educators.
Retention	<p>Supports for provisionally registered early childhood teachers (PRTs) include:</p> <ul style="list-style-type: none"> • Grants of up to \$2,872 to support progression to full registration with the Victorian Institute of Teaching (VIT). PRT is a VIT registration category, including for graduates and people returning to teaching after 5 years, that allows PRTs to teach while working towards criteria to become fully qualified within two years • PRT Mentors support 150 PRTs to achieve full registration. The Effective Mentoring Program supports experienced teachers to become PRT mentors • Beginning Teacher Conferences and Webinars provide PRTs with an induction into the Victorian sector, strengthen professional practice and networks. Webinars include practical support for first-year teachers in their first months to help get them get the most out of this exciting stage of their careers. <p>Supports in the first 5 years include:</p> <ul style="list-style-type: none"> • a minimum of 5 hours of individual coaching for first-year teachers • up-skilling for educators delivering kindergarten programs • communities of practice for second to fifth-year teachers and an alumni network to help teachers stay connected and share expertise • grants of between \$5,000 to \$30,000 to encourage service providers to improve retention of early career teachers. <p>Supports for early childhood teachers returning to the sector includes 10 hours of coaching to support them to reconnect with current practice and contemporary teaching and learning approaches, including advancements aligned to the VEYLDF and National Quality Standards.</p> <p>Wellbeing supports: On-demand webinars are available for educators and teachers to explore the evidence behind positive psychology and its impacts on wellbeing in an early childhood teaching context.</p>
Quality	<p>Kindergarten Quality Improvement Program provides targeted support to early childhood services with identified quality improvement needs, including mentoring by external early childhood professionals. Since 2018, 375 services</p>

have been or are being supported through the program, which will be expanded to reach h 360 more services over the next 3 years.

Each service is responsible for the professional development of its workforce, with the department providing a range of supports, including:

Professional learning initiatives

- Early Learning Leadership Forums bring together leaders to strengthen communication, consultation, co-design, and leadership skills across the sector
- Early Childhood Networks bring together teachers and leaders to share and deepen understanding of effective, evidence-based practices. A contribution to backfill staff is provided, where needed, to support educators to attend the networks.
- Free professional learning to support the implementation of the VEYLDF and high-quality practice, including webinars and training on:
 - guiding children’s behaviour
 - connecting assessment to practice
 - inclusion, including supporting children with autism in the early years
 - outdoor learning.

Professional practice resources and support including:

- Three-Year-Old Teaching Toolkit provides professional practice support for services in their first years of delivering funded a Three-Year-Old Kindergarten
 - Educators supporting children and families to transition to school receive a kit with practical transition tips, workshops on writing and using Transition Learning and Development Statements, training to use the online tool, and guidance and templates for engaging families
 - Specialist place-based teams, including 17 early childhood improvement branches, provide practical, local support to implement reforms and improve quality. QARD supports practice quality with regulatory advice and guidance through newsletters and reference group meetings
 - The Victorian Curriculum and Assessment Authority provides early years resources on best practice programs and curriculum for children aged 0-8.
-

Appendix 3: Victoria's kindergarten funding model

The Kindergarten Funding Guide (vic.gov.au/childcare/funding-guide) is provided for services to understand the range of funding available, eligibility criteria and how to comply with obligations and operational requirements to receive funding.

Key features of the funding model

Funding model feature	Funding stream	Per child or service level	Description	Setting eligibility	
				KGN	LDC
Sector Wide base funding	Per capita	Per Child	To cover the base cost of delivery of kindergarten for each eligible child, includes standard, rural and non-government. Services that are signatories to the Early Childhood Enterprise Agreements or analogous agreements receive higher rates.	✓	✓
	Early Start Kindergarten	Per Child	To provide Aboriginal or vulnerable children with access to free kindergarten two years before school (program will phase out with the rollout of universal 3-year-old kindergarten and Free Kinder).	✓	✓
Equity funding for educational disadvantage	SRF	Service level	Equity funding to services based on the needs of children measured by educational disadvantage.	✓	✓
Individual fee reduction	Free Kinder	Per Child	Funding for kindergarten services that opt into Free Kinder to provide a free program (sessional services) or directly offset parent fees (LDC services).	✓	✓
	Kindergarten Fee Subsidy	Per Child	To provide eligible children at sessional services that do not opt into Free Kinder with access to a kindergarten program free of charge.	✓	✗
Various supplements for a range of purposes	Ratio supplement	Per Child	To contribute to the cost of employing an additional educator to meet educator to child ratios	✓	✗
	Early Childhood Teacher Supplement	Per Child	Paid to services to help offset the cost of employing more experienced teachers in funded kindergarten programs.	✓	✗
	Parental leave allowance	Service level	Reimbursement for services that have paid parental leave to early childhood educators.	✓	✓
	Travel allowance	Service level	To contribute to the cost of teachers travelling to and from kindergartens in rural areas.	✓	✓
Support for aggregation	Early Years Management	Service level	To support Early Years Managers, manage and coordinate multiple community-based kindergarten services.	✓	✓