



ELACCA submission in response to Productivity Commission draft report

February 2024



The Early Learning and Care Council of Australia (ELACCA) welcomes the opportunity to submit our response to the Productivity Commission's draft report – *A path to universal early childhood education and care* – findings, recommendations and information requests.

About ELACCA

The Early Learning and Care Council of Australia (ELACCA) was established to promote the value of quality early learning and care as an integral part of Australia's education system. Our 18 CEO members include some of the largest early learning providers in the country, representing both not-for-profit and for-profit services.

ELACCA members operate 1,984 long day early learning services, 310 preschool/kindergarten services and 92 OSHC services, covering every state and territory. They offer one-quarter of all the early learning places in Australia. Together, our members serve 369,776 children and their families, and employ more than 56,708 staff.

As well as promoting the value of quality early learning and the need for greater public investment, ELACCA advocates for the right of all children to access quality early learning and care, particularly children facing disadvantage. We do this by drawing on the knowledge and practical experience of our members and representing their views to decision makers in government, the media and the public.

ELACCA submission to Productivity Commission's Draft Report

ELACCA thoroughly welcomes the opportunity to contribute to generational reform in early learning and care being considered by the Productivity Commission (PC) through their inquiry.

As large providers, ELACCA members leverage their scale to offer high-quality programs, greater inclusion support, and the ability to operate in otherwise non-viable markets through the cross-subsidisation of services. Services are supported by head office teams that help drive the delivery of high-quality early education and care, and significant investment in workforce development and pedagogy.

ELACCA's purpose strongly aligns with the findings and recommendations proposed in the PC's draft report. Our objective is to lead exceptional early learning outcomes for Australian children, and aspire to:

- progress the quality of early learning and care and outcomes for all children.
- enhance the development and professionalisation of the early learning workforce.
- improve equity of access to early learning for all children.

Our submission provides high-level responses to the PC's draft report formed following targeted engagement with ELACCA's Board, CEO Members and subcommittees. We are grateful for their time and deep expertise that informs our submission, and ongoing advocacy in early learning and care.

Structure of ELACCA's submission to the PC

To assist with navigation, please note that ELACCA's submission comprises three key sections:

Section 1: This section provides an overview of ELACCA's position in response to the draft report, and highlights additional, high-level recommendations from ELACCA for the PC's consideration (pages 3-6).

Section 2: This section advises ELACCA support or otherwise against the PC's draft recommendations and provides additional commentary for the PC's further consideration. This is presented in table format (pages 7 -20).

Section 3: This section includes ELACCA's detailed responses to PC information requests. Our responses are grouped under the following priority reform areas:

Priority reform areas	Information request number	Submission page number
Workforce and availability	3.1, 3.2, 3.3	21 – 29
Access and affordability	6.1, 6.2, 6.4, 6.5, 9.1, 6.3	30 – 43
Inclusivity	2.2, 2.4, 7.1, 7.2	44 – 49
Flexibility	7.3, 7.4	50 – 51
Quality	8.1, 8.2, 8.3	52 – 54
Governance, planning and coordination	5.2, 9.2	55 – 59

Section 1: Overview of ELACCA's response to information requests and draft recommendations in draft PC Report – *A path to universal early childhood education and care*

The PC's draft report strongly positions the early years as a critical period in the cognitive, social and emotional development of children¹. The substantial benefits of investing in the early years, for children's development in addition to helping parents and carers to work, train or study, with these benefits flowing into the community and Australian economy.²

Early learning and care is increasingly recognised as vital social infrastructure. High-quality services, supported by a strong, robust workforce are vital for children's optimal learning and development. ELACCA values the opportunity for the sector to engage with the PC to support their advice to the Australian Government. Our collective goal is to ensure that every Australian child is given the best possible chance to achieve their potential, with a strong start in life. This is achieved with barrier-free access to affordable and high-quality early learning and care, provided by a strong, qualified workforce of early childhood teachers and educators.

Considerable attention has been trained on the early years over the past 18 months. In addition to this PC inquiry, this includes an Australian Competition and Consumer Commission (ACCC) inquiry into the price of childcare, a National Vision for Early Childhood Education and Care (ECEC) and the development of an Early Years Strategy, at a national level. New legislation and investment from the Australian Government has increased funding to the Child Care Subsidy (CCS), and provided an avenue for the sector to engage in Multi-Employer Bargaining (MEB). Further to this, reform activity and inquiries have been taking place concurrently in several states and territories.

ELACCA welcomes the final report from the ACCC's inquiry released in January 2024, including findings that align with the PC's current proposals. Of importance to our sector and the families and children we support, ELACCA notes challenges to workforce highlighted in the ACCC's final report, and the PC's draft report. A stable, robust ECEC workforce remains a huge challenge across all provider types, and all jurisdictions. Government co-investment in

¹ Productivity Commission, *A path to universal early childhood education and care: Draft report* (Productivity Commission Draft Report), (Canberra: November 2023), www.pc.gov.au/inquiries/current/childhood/draft, p. 21

² Productivity Commission Draft Report, p. 12

wages is urgently needed to support workforce attraction and retention, along with a sustainable longer term response and suite of support for our workforce.

It is important to note, as the ACCC found, a single policy approach does not work in the early learning and care sector that changes to one part of the market can have unintended, and wide-ranging impacts on other parts of the market³. No change in policy or regulation can be considered in isolation and we urge the PC to consider the sector as a whole for all funding or operational reform recommendations.

Preschool/kindergarten and long day early learning are the focus of ELACCA's submission. Both play vital roles in the lives of young children and their families in the provision of high-quality early learning and care, and offer a level of choice for Australian families.

Approach to universal entitlement

ELACCA endorses the PC's draft proposal to introduce a universal entitlement of at least three days' early learning per week for every child, and to lift the subsidy rate to 100% for families with a combined taxable income of \$80,000 or less.

Affordability should not be a barrier to early learning and care, and we note that lower income families spend a higher proportion of their income on early learning and care compared with middle to higher income families. ELACCA supports ongoing analysis from the Australian Government, to ensure the proposed \$80,000 threshold is set, and remains at an appropriate level.

Access barriers should also be removed and ELACCA commends the recommendation to remove the activity test for up to three days (or 30 hours) of early learning and care each week.

This reflects the PC's careful and considered balance of targeting investment for maximum impact, and assuring Government, the sector and community that every Australian child benefits from investment in these reforms.

Pace of reform and recommended priorities for Government action

The pace of reform needs to be set at an appropriate rate to enable the sector to respond and deliver.

As the PC points out, the path to universal access will be impacted by availability of a workforce and infrastructure constraints. Rural and remote services face additional challenges, particularly in securing and maintaining a sustainable, qualified workforce.

ELACCA recommends the PC strategically prioritise reforms to ensure maximum impact for the delivery of high-quality early learning.

We support the PC's positioning that the reform agenda outlined in its report sets out a pathway to a universal system of early learning and care. Delivering it will require careful implementation and sequencing. Addressing workforce issues will be an essential and fundamental driver to achieving universal availability. ELACCA prioritises the following areas that must be addressed, and will underpin the success of broader reforms proposed by the PC:

1. **Wages and workforce:** ongoing government investment in wages to stabilise and build the early learning workforce.
2. **Access:** abolishing the activity test as an unnecessary barrier to early learning, especially for families experiencing disadvantage or vulnerability, and reset the Hourly Rate Cap to an appropriate level
3. **Inclusion support:** a fully-funded program that aligns with the NDIS, state and territory initiatives, and provides seamless support for children and families.

³ Australian Competition and Consumer Commission, Childcare Inquiry final report (ACCC Final Report), (Canberra: December 2023) <https://www.accc.gov.au/inquiries-and-consultations/childcare-inquiry-2023/december-2023-final-report> , p.19

We note and acknowledge current reform is taking place during cost of living challenges for the broader Australian community, and should be taken in account in the design, implementation and prioritisation of policy.

Key principles that should guide reform

ELACCA advocates that all reform to Australia's early learning and care system should be primarily focused on a child's development and learning objectives. Enabling parents and carers to participate in the workforce is an important, secondary benefit of early learning and care.

Maintaining a focus on the rights, needs and safety of the child in all policy design, implementation and investment will maximise long term social and economic benefits for all Australians. This aligns consistently with the proposals recommended by the PC, and informs our responses to information requests.

Key principles ELACCA supports in the development of early learning and care policy and supporting measures include:

- Child-centred in all facets of design and implementation
- Culturally safe and informed
- High-quality and inclusive
- Efficient for Government/s and providers and seamless for families and children
- Underpinned by qualified, professional and highly regarded workforce
- Affordable, accessible, and equitable for all families and children
- Nationally consistent

Assuring children's safety is paramount across all parts of the sector and a vital consideration in setting policy and investment priorities. Implementing the recommendations from ACECQA's recent *Review of Child Safety Arrangements under the National Quality Framework* is an utmost priority.⁴

ELACCA supports consistent stewardship of finance, planning, data transparency and workforce sustainability to deliver on high quality, affordable and inclusive early learning and care for all children and families. A stronger stewardship role at a national level, as recommended by the ACCC⁵, should lead investment in early learning market growth so it is directed to high-quality provision and to communities and geographical areas where it is most needed.

The early learning and care sector provides services within national legislation and across a mixed market. This is in sharp contrast to the state and territory-based primary and secondary school education sectors. ELACCA continues to advocate for alignment of policies across jurisdictions to be nationally consistent. National consistency is important to ensure a level playing field for all Australian families, and to minimise administration and compliance burden for providers, especially for large providers offering services across multiple states and territories. Differing funding and reporting requirements, registration and accreditation processes and timelines create systemic inefficiencies.

ELACCA notes complexity in balancing different objectives for early childhood education and care, but maintains a focus on children's learning, development and safety as the highest priority.

⁴ Australian Children's Education and Care Quality Authority, Review of Child Safety Arrangements under the National Quality Framework Final Report – Findings and recommendations for the NQF and inter-related child safety mechanisms (ACECQA Child Safety Review), (December 2023), <https://www.acecqa.gov.au/child-safety-review>

⁵ ACCC Final Report, p.42

Additional priority recommendations for the Productivity Commission’s consideration

In addition to our responses to the PC’s draft recommendations in section 2 of this submission, ELACCA provides the following additional high-level recommendations to the PC the following for further consideration.

These recommendations have been informed by our responses the PC’s information requests, and feature in the body of Section 3 of our submission:

Priority reform area	Recommendation
Workforce	<p>1. Wages: Invest in an immediate wages supplement and longer-term package to improve wages and conditions for all early childhood educators and teachers.</p> <p>2. Induction support for new educators: A sector-informed, Government-funded national induction program for all early learning and care graduates prior to commencing in their roles.</p> <p>3. Recognition of Prior Learning: Consider national adoption of the New South Wales approach for Recognition of Prior Learning for Certificate III to Diploma qualification.</p>
Access and affordability	<p>4. Activity test: completely remove the activity test as an unnecessary barrier to accessing early learning and care.</p> <p>5. Funding model: reject consideration of a flat-fee, supply-side funding model similar to the current Canadian model. This does not lend itself to an Australian context and would have significant unintended perverse impacts, particularly around families’ access to services and the quality of early learning and care for children.</p> <p>6. Reset the HRC:</p> <ul style="list-style-type: none"> ○ repeating the methodology that was previously used to set the HRC at the 85th percentile. ○ maintain current price-based mechanism – do not move to adopt an efficient cost methodology. <p>Further consideration of a daily rate as recommended by the ACCC is supported in principle, noting a move to daily rates is not currently endorsed by ELACCA.</p>
Inclusion	<p>7. Join up inclusion responses and additional investment for seamless support: Connect Australian, state and territory governments to deliver a seamless response for families with children requiring additional inclusion support through a revised Inclusion Support Program (ISP), working cohesively with the implementation of the NDIS Review.</p> <p>This should include access to early childhood intervention specialists, Allied Health professionals and system navigation support for families across the whole early learning and care sector.</p> <p>8. Increase the hourly rate for Additional Educators under the ISP, and index annually: The rate must be set to at least a Diploma qualified rate, not Certificate III as currently recommended by the PC at draft recommendation 2.4.</p>
Oversight and coordination	<p>9. ECEC Commission: undertake substantial cost-benefit analyses before recommending the establishment of a new ECEC Commission to Government.</p>

Section 2: ELACCA positions against draft recommendations proposed by the Productivity Commission

The table below indicates ELACCA positions against the draft recommendations proposed by the Productivity Commission in its draft report. Cells shaded: green indicate support and support in principle; orange indicates the recommendation has been noted, and red indicates ELACCA does not support the recommendation.

Draft recommendations	ELACCA position
Availability gaps will have to be tackled to achieve universal access	
<p>Support universal access in persistently thin markets via supply-side funding</p> <p>To ensure that up to 30 hours or three days a week of quality ECEC is available for all children aged 0–5 years whose families wish for them to participate, the Australian Government should provide additional support in markets where it is clear that ECEC providers are unlikely to invest, even with the changes recommended in this inquiry.</p> <p>This support could take the form of:</p> <ul style="list-style-type: none"> grant funding to establish a service in communities that are able to cover the operating costs of a service (such as wages, rent and other overheads) via child care subsidies and families' out-of-pocket gap fees, but expected earnings would not cover the capital costs of building or expanding physical facilities block grants to cover capital and operating costs in communities where the level of demand is too low to support all of the costs of operating a service or there are substantial barriers to accessing child care subsidies. Funding in these markets should generally be ongoing, with periodic review to determine if a service can be self-sustaining with child care subsidies specific arrangements for Aboriginal Community Controlled Organisations (ACCOs) to be co-designed with Aboriginal and Torres Strait Islander communities. <p>The Australian Government could use a process of competitive tendering to provide services in markets where community representatives do not apply for grants.</p> <p>Centre-based day care, family day care and mobile care should all be considered for funding to help address the varying needs of thin markets. An advisory program should be established that works with community representatives and enables them to get the support they need. [Draft recommendation 5.1]</p>	<p>Support.</p> <p>ELACCA advocates that:</p> <ul style="list-style-type: none"> high-quality service provision is a criterion for participation in competitive tender. a select competitive tender, open to high-quality providers is preferable and more efficient than a grants process. <p>ELACCA endorses co-design with ACCOs for specific arrangements with First Nations children, families and communities.</p> <p>ELACCA also endorses an advisory program that works with communities in thin, or underserved, markets, to support them to address local requirements.</p>
Availability can only improve if workforce challenges are resolved	
<p>Reduce barriers to educator upskilling</p> <p>To improve pathways for educators seeking to upskill to become early childhood teachers (ECTs), the Australian and state and territory governments should:</p> <ul style="list-style-type: none"> work with universities and the ECEC sector to develop and promote accelerated degree programs for upskilling diploma-qualified educators to ECTs expand wrap-around supports to educators who are undertaking university-level qualifications to become ECTs. Supports could include assistance to navigate enrolment processes, assistance to build academic skills, and regular mentoring. These initiatives should be underpinned by robust monitoring and evaluation. provide financial support to ECEC services so they can provide a reasonable amount of paid leave to educators for them to complete supervised professional experience requirements associated with completing early childhood teaching qualifications. In addition: 	<p>Support.</p> <p>ELACCA is a strong advocate of university-sector partnerships and the co-design of educator upskilling. ELACCA can share success from existing upskill programs through university partnerships (including Case Study 1 of page 29).</p> <p>ELACCA advocates for:</p> <ul style="list-style-type: none"> degrees that are fit for purpose and informed by the sector scholars being adequately supported, with the conditions to succeed, including wrap-around support and paid practicums.

<ul style="list-style-type: none"> when providing information on teaching courses to potential students, universities should publish an indication of how prior ECEC qualifications will be recognised. This could take the form of a median or average amount of credit that students with ECEC qualifications have received in the past the Australian Children’s Education and Care Quality Authority (ACECQA) should examine the supervised professional experience that is required in order for an early childhood teaching qualification to be approved for the purposes of the National Quality Framework, with a view of extending the ability of students to fulfil such requirements in their existing workplaces. [Draft recommendation 3.1] 	<p>ELACCA notes efficiency of grant funding to large providers to build capacity within sector. Benefits of this approach in a fragmented market, include reach, modelling and establishing proof of concept.</p> <p>ELACCA supports ACECQA examining what supervised professional experience is required for a qualification to be approved, and would be pleased to work with ACECQA to share our experience and expertise, both within the ELACCA team and across ELACCA’s membership.</p>
<p>Support innovative delivery of teaching qualifications Governments should provide modest financial incentives to universities to facilitate trials of innovative approaches for providing Initial Teacher Education to early childhood teachers.</p> <p>The Australian Children’s Education and Care Quality Authority (ACECQA) should work with governments and universities to develop pathways for early childhood teaching qualifications that are awarded through innovative teaching approaches to be recognised under the National Quality Framework. [Draft recommendation 3.2]</p>	<p>Support.</p> <p>Recommend peaks/providers also engaged by ACECQA to share intelligence and inform trials.</p> <p>Further, ELACCA advocates that ACECQA’s determination of foreign qualifications be automatically recognised by all Regulatory/Accreditation Authorities.</p> <p>Though we acknowledge pathways exist, broadly, co-design of qualifications with the sector will ensure graduates are entering the workforce with the competencies required for success. Refer to Case Study 1 on p 32.</p>
<p>Improve registration arrangements for early childhood teachers State and territory governments should amend their teacher registration arrangements so that:</p> <ul style="list-style-type: none"> early childhood teachers (ECTs) working in National Quality Framework-approved ECEC settings can be registered with the teacher registration body in their jurisdiction any ECT-level qualification that has been approved by the Australian Children’s Education and Care Quality Authority (ACECQA) for recognition under the National Quality Framework should be automatically recognised as meeting qualification requirements associated with teacher registration. <p>In undertaking these actions, state and territory governments should also:</p> <ul style="list-style-type: none"> review their teacher registration arrangements to ensure that there are accessible pathways for ECTs with an ACECQA-approved qualification to teach in primary school (including after they undertake additional study focussing on teaching in primary school settings) review their arrangements concerning highly accomplished and lead teachers (HALT) certification (in relevant jurisdictions) and act on opportunities to make it more accessible for ECTs. <p>As part of reviewing these arrangements, governments should issue guidance on the eligibility of ECTs for HALT certification, the process through which ECTs can seek HALT certification (including in non-government operated ECEC settings), and the implications for ECTs if certification is achieved. [Draft recommendation 3.3]</p>	<p>Support.</p> <p>ELACCA has long advocated for nationally consistent registration arrangements for early childhood teachers. Note that this should be full teacher registration for all teachers employed in early learning services not just provisional, or those delivering the preschool/kindergarten program.</p> <p>ELACCA supports the efficiency of recognising ACECQA-approved qualifications as meeting qualification requirements associated with teacher registration.</p> <p>Australian National Standards for Teaching should be rewritten for the early years in keeping with contemporary early years pedagogy and the Early Years Framework (EYLF). HALT certification must also be based on early years pedagogy and the EYLF.</p>
<p>Lift support and mentoring for new early childhood teachers</p>	<p>Support.</p>

<p>State and territory governments should develop structured mentoring and support programs for new early childhood teachers if they do not already have these in place.</p> <p>In developing these programs, state and territory governments should reflect the findings of the research underway by the Australian Education Research Organisation (AERO) on the effectiveness of existing support programs.</p> <p>Jurisdictions that already operate programs to support and mentor new ECTs should review their programs to incorporate the findings from AERO's research once this is finalised. [Draft recommendation 3.4]</p>	<p>Mentoring support programs should be co-designed, developed and delivered in partnership with the sector (triadic model). This ensures engagement from providers and importantly, that (1) capacity is built within the sector and (2) that mentors who undertake professional learning re mentorship, are remunerated and provided time off the floor.</p> <p>ELACCA recognises the important research undertaken by AERO in this area. Also note ELACCA's successful <i>From the Ground Up</i> program, co-designed with the Queensland University of Technology, profiled by the Commonwealth Department of Education⁶.</p> <p>The biggest challenge with mentoring in our sector is the current and ongoing workforce shortage of staff which inhibits capacity of early childhood teachers to be backfilled to undertake the mentoring role, as does lack of appropriate remuneration. Mentoring is important, but time and availability of mentors is a challenge..</p>
<p>Improve pathways and support for Aboriginal and Torres Strait Islander people to obtain ECEC qualifications</p> <p>In collaboration with Aboriginal and Torres Strait Islander people, communities and organisations, governments should trial and evaluate new pathways for Aboriginal and Torres Strait Islander people to obtain ECEC qualifications so they can participate in the ECEC workforce in greater numbers.</p> <p>A central aim of these new pathways should be to better recognise the cultural knowledge and experience many Aboriginal and Torres Strait Islander people have when it comes to educating and caring for children. In designing these pathways, governments should consider:</p> <ul style="list-style-type: none"> • using different approaches – such as culturally appropriate interviews – to better understand the prior knowledge, learning and experience of Aboriginal and Torres Strait Islander people, and to inform decisions about the extent that this can be recognised in the form of course credit (or other ways of recognising prior learning) • using teaching assessment models that – while still ensuring rigour – might be more accessible or culturally appropriate for Aboriginal and Torres Strait Islander students, such as teaching in local languages or making greater use of observational assessments • providing tailored, small group or one-on-one supports to Aboriginal and Torres Strait Islander students. [Draft recommendation 3.5] 	<p>Support.</p> <p>ELACCA supports Government working directly with SNAICC and other ACCOs to develop bespoke, culturally strong pathways to support more Aboriginal and Torres Strait Islanders obtaining ECEC qualifications.</p> <p>ELACCA also notes value in providing opportunities for cross-cultural, two-way knowledge exchange. We encourage the PC to explore opportunities for ACCOs to work with philanthropy and large providers to establish proof of concept for exchange programs to take place embedded in and supported by Aboriginal and Torres Strait Islander communities.</p>
<p>Contribute to professional development for the ECEC workforce</p> <p>The Australian and state and territory governments should provide support for the ECEC workforce to undertake professional development activities. This should take the form of a contribution towards the cost of professional development.</p> <p>Government contributions to professional development should be targeted toward activities that will improve the quality and inclusivity of ECEC practices, including activities that build staff capability to:</p>	<p>Support.</p> <p>ELACCA supports this and the professional development priorities outlined, noting that:</p> <p>(a) finding time to engage in effective professional development is difficult, and will be for the foreseeable future due to workforce/backfill issues;</p>

⁶ Please see Department of Education (Australian Government website): <https://www.education.gov.au/early-childhood/case-studies/case-study-ground> (accessed 21 February 2024)

<ul style="list-style-type: none"> • remain up to date with the latest pedagogical research and how to apply this in their teaching • understand and apply the National Quality Standard and the national approved learning frameworks • deliver more inclusive ECEC, including for children with disability, developmental delay or additional needs, children who have experienced trauma and Aboriginal and Torres Strait Islander children, particularly those attending in mainstream settings • work with families – including families in complex or challenging situations – to engage with and participate in ECEC. [Draft recommendation 3.6] 	<p>(b) professional development <i>must</i> be high-quality and preferably over extended periods of time</p> <p>(c) delivered and designed in partnership with providers and tertiary institutions;</p> <p>(d) professional development can be most effective in the room with a mentor/supervisor.</p> <p>Extension of the Australian Government's Paid Practicum Subsidy and the Professional Development Subsidy would improve the skills, qualifications and wellbeing of the educator workforce – with consequential improvements in retention.</p> <p>ELACCA and Queensland University of Technology's co-designed <i>From the Ground Up</i> program is an example of excellent practice.⁷</p>
<p>Improve the ECEC Workforce Strategy</p> <p>To maximise the value of the <i>National Children's Education and Care Workforce Strategy (Shaping our Future)</i>, the Australian, state and territory governments should:</p> <ul style="list-style-type: none"> • articulate a clear objective for the strategy against which its effectiveness can be measured • include projections of the number of educators and teachers the sector is expected to require (over different timeframes) in the strategy • clarify how each action in the strategy will be resourced • commit to individually producing annual updates about how the actions, initiatives and reforms they are undertaking are contributing to the strategy's implementation. <p>These updates should be published alongside the broader assessment of progress in implementing the Strategy published by the Australian Children's Education and Care Quality Authority (ACECQA). [Draft recommendation 3.7]</p>	<p>Support.</p> <p><i>Shaping our Future</i> should be fully resourced by the Australian Government in 2024-25 Federal Budget and forward estimates. This strategy was co-designed with the sector and should be respected and built upon.</p> <p>ELACCA also advocates for the importance of leveraging cost efficiencies with existing commitments, including evaluation strategy and online dashboard – these should be built on, rather than replaced.</p> <p>ELACCA supports ACECQA's ongoing role, with adequate resourcing, leading assessment of progress and driving initiatives with stronger direction, oversight and support from Education Ministers.</p>
<p>Affordability and complexity should not be barriers to ECEC access</p>	
<p>Monitor rises in fees and out-of-pocket expenses</p> <p>The Australian Government should monitor changes in fees and out-of-pocket expenses on a regular basis to identify services where movements are out of step with sector norms. Increases that vary markedly should prompt closer investigation, and a regulatory response should be considered if they are not reasonable.</p> <p>To inform judgements about what reasonable increases might look like, the Australian Government should commission a detailed investigation of costs and profits across the sector every three years, along the lines of the work that the Australian Competition and Consumer Commission has been undertaking. This work would also signal if the hourly rate cap needed to be reset. [Draft recommendation 6.1]</p>	<p>Support in principle.</p> <p>Noting:</p> <ul style="list-style-type: none"> • this must be sector-wide and not just for large providers (as per recent ACCC inquiry process). • there would be considerable work required with the sector to develop an appropriate regulatory framework. <p>ELACCA advocates that fee regulation should be limited to excessive fees.</p>

⁷ Please see Department of Education (Australian Government) website: <https://www.education.gov.au/early-childhood/case-studies/case-study-ground> (accessed 21 February 2024)

	<p>ELACCA notes the ACCC’s recommendation for a ‘stronger role for governments to monitor providers’ prices, costs, profits and outcomes, supported by a credible threat of regulatory intervention to place downward pressure on fees’.⁸</p> <p>We note ACCC has identified potential approaches to deliver on this recommendation including a de facto formula for annual price increases issued by Government to providers.</p> <p>ELACCA raises concern that a de facto formula for annual price increases could effectively become price control, and may not account for legitimate cost increases in the sector. Working to strengthen local markets could help to constrain fees instead, via the following action:</p> <ul style="list-style-type: none"> • Improve fee transparency, so families and providers can more easily compare fees – this should involve more direct communication with families. • Monitoring excessive fees and requiring providers to justify excessive fees and fee increases as a condition of funding and/or to be an approved provider for CCS. <p>More information and consultation with the sector is required regarding a possible triennial ACCC investigation into costs and profit. This is to ensure it is not disproportionately burdensome, and costly for providers to respond to, as the 2023 inquiry was for large providers.</p> <p>Any monitoring of fees also needs to note that fee-setting is complex and does not follow market trends, unlike other sectors.</p>
<p>Modify the Child Care Subsidy to improve affordability and access</p> <p>The Australian Government should modify the Child Care Subsidy to allow:</p> <ul style="list-style-type: none"> • all families to access up to 30 hours or three days of subsidised care per week without an activity requirement • families with annual income at or below \$80,000 should be eligible for a subsidy rate of 100% of the fee, up to the hourly rate cap. 	<p>Support.</p> <p>Agree that targeted support to families with a lower taxable income is a better investment from Government than a flat 90% subsidy.</p> <p>ELACCA supports access of up to 30 hours/3 days without an activity requirement, and up to 5 days without an activity requirement for lower income families, or those facing vulnerability and/or disadvantage.</p> <p>ELACCA supports the taper for CCS starting from \$80,000 taxable family income. We support a straight-line taper</p>

⁸ ACCC Final Report, Recommendation 2d

	<p>that provides 100% subsidy for families with a taxable income of \$80,000, down to 0% subsidy for families with a combined taxable income of \$530,000 or above.</p> <p>Further, we recommend that the Australian Government utilise empirical data to raise the threshold annually, at a minimum, in line with wages growth.</p>
<p>In addition, the Australian Government should review the hourly rate cap associated with the Child Care Subsidy, and set a new cap based on the average efficient costs of providing early childhood education and care services.</p>	<p>Do not support.</p> <p>An average efficient cost-based cap is not supported by ELACCA, as it would result in perverse outcomes for families (including reducing affordability outcomes). Government does not have the data or understanding of the cost and variability of delivering quality early learning across the country to develop a sufficiently sophisticated cost model.</p> <p>We recommend maintaining existing price-based mechanism, with the cap set at the 85th percentile of fees, with stronger price transparency and reporting.</p>
<p>This should include consideration of a higher hourly rate cap for non-standard hours (draft recommendation 7.3).</p>	<p>Noted.</p> <p>It is the experience of ELACCA members that non-standard hours are not material. We note this recommendation but don't recommend it as an immediate priority.</p>
<p>The hourly rate cap should be reviewed every three years to ensure it continues to reflect costs (in conjunction with other work mentioned in draft recommendation 6.1).</p>	<p>Support in principle.</p> <p>More detail provided in our response to Information Request 6.3.</p>
<p>In between these reviews, the hourly rate cap should be indexed at a rate that best reflects changes in the costs of provision such as wage indices or CPI. [Draft recommendation 6.2]</p>	<p>Support</p> <p>More detail provided in our response to Information Request 6.3.</p>
<p>Make information about CCS eligibility easy to find and understand The Australian Government should explore options to make information provided on government websites about CCS eligibility easy to find and easy to understand by families. [Draft recommendation 6.3]</p>	<p>Support.</p> <p>Outward facing communication on the CCS is important for families to fully understand their eligibility and out-of-pocket costs.</p> <p>This will also reduce the burden of service-based staff who in many cases play a translation/navigation role for families to understand their eligibility or entitlement.</p>
<p>Improve the CCS calculator on the Starting Blocks website The Australian Government should improve the functionality of the Child Care Subsidy calculator on the Starting Blocks website so that families can estimate their Child Care Subsidy eligibility under different scenarios (such as different working hours or income levels). The Australian Government should investigate the best way to improve awareness of the availability of the CCS calculator on the Starting Blocks website. [Draft recommendation 6.4]</p>	<p>Support.</p> <p>ELACCA supports ACECQA's management of the Starting Blocks website. We support targeted funding to continue to improve the functionality of Starting Blocks, and capacity for families to easily interact with it as a single point of truth that can be referred to by</p>

	<p>professionals (rather than duplicated or changed to suit commercial interests).</p> <p>ELACCA supports all effort to provide greater understanding of CCS eligibility for families.</p>
<p>Prompt families to update their details with Services Australia The Australian Government should use Single Touch Payroll information from the Australian Tax Office to prompt families to update their activity and income level details with Services Australia. [Draft recommendation 6.5]</p>	<p>Support.</p> <p>ELACCA supports this, and recommends this include balancing at the End of Financial Year.</p> <p>This should benefit both families and services with increased efficiency and understanding of entitlements. ELACCA also queries why lower income families are subject to withholding rates. Automatic 5% withholding should be reduced to 0% for lower-income families (who are less likely to incur debts), with option to add/increase, if they choose.</p>
<p>Provide better information to families about CCS withholding rates The Australian Government should provide clear and easy to find information to families about the Child Care Subsidy withholding rate during the Child Care Subsidy application process and when families update their details with Services Australia. [Draft recommendation 6.6]</p>	<p>Support.</p> <p>ELACCA supports this and recommends this include balancing at the End of Financial Year.</p> <p>This should benefit both families and services with increased efficiency and understanding of entitlements.</p>
<p>A universal ECEC system has to be inclusive of all children</p>	
<p>Amend the Disability Standards for Education The Australian Government should amend the Disability Standards for Education 2005 (Cth) to include all services within the early childhood education and care sector. [Draft recommendation 2.2]</p>	<p>Support.</p> <p>ELACCA advocates for collaboration with the early learning sector (not simply replicating a school-based solution), and notes service providers operate across multiple jurisdictions.</p> <p>ELACCA recommends Government funding be available to support:</p> <ul style="list-style-type: none"> • the mixed market to access capital to support new builds that comply with the Disability Standards for Education. • providers to make adjustments under the Standards for existing infrastructure.
<p>Amend eligibility requirements for inclusion funding The Australian Government Department of Education should work with Inclusion Agencies to communicate documentary requirements for receipt of Inclusion Support Program funding more clearly to services, including the eligibility of children without a formal diagnosis.</p> <p>Evidence a child has additional needs other than disability should be accepted in all circumstances for services seeking to access the Inclusion Development Fund Subsidy for an Additional Educator and the Family Day Care Top Up. Increasing the funding allocated to the ISP (draft finding 2.5) will ensure children have adequate support, regardless of a diagnosis. [Draft recommendation 2.3]</p>	<p>Support.</p> <p>Need to ensure that undiagnosed children are included – many children receive their diagnosis as they are leaving to start school after the service has worked to support the child, and their family, across many years without any additional funding or assistance.</p> <p>It is important to note, families seeking permanent residency are less likely to</p>

	<p>seek or willing to receive inclusion support due to perceived risk of deportation. A response to this issue should be considered in partnership with the Department of Home Affairs to ensure children do not miss out on much needed/deserved support and early intervention. Being ineligible for the CCS prevents access to the ISP which is also an issue that requires Government consideration.</p> <p>Implementation of this recommendation must align with the implementation of the NDIS Review.</p>
<p>Review and amend additional educator subsidies</p> <p>The Australian Government should amend the Inclusion Development Fund Subsidy for an Additional Educator and Immediate/Time-Limited support, including:</p> <ul style="list-style-type: none"> • increasing the current hourly subsidy rate so that it subsidises 100% of an additional educator’s wage, up to the median hourly wage of a certificate III qualified educator and ensuring it is indexed to the Wage Price Index • removing limits on the weekly hours the subsidies can be approved for and ensuring they align with the child’s enrolled hours • allowing other human-services qualified staff and inclusion professionals, such as allied health or other relevant professionals to be employed as an additional educator, where the Inclusion Agency agrees this would be appropriate. [Draft recommendation 2.4] 	<p>Support with amendment.</p> <p>ELACCA strongly supports, and has been advocating for, increasing the subsidy for an Additional Educator.</p> <p>However, the subsidy rate should be based on <i>at least</i> a Diploma qualified rate, rather than Certificate III. Educators require specialised skill and expertise to undertake ISP support roles, and the subsidy must reflect and fund this. This should be amended “at least Diploma qualified educator”, rather than “Certificate II qualified education” in the PC’s final recommendation to Government.</p> <p>Adequate, targeted support to ensure inclusion is a significant issue for ELACCA members.</p> <p>ELACCA notes that allied health staff should only be employed in above-ratio roles – as intended for ISP Additional Educators – and ISP funding must support full cost recovery to reflect higher cost of allied health professionals.</p> <p>ELACCA would be pleased to engage directly with the Australian Government regarding the implementation of this recommendation.</p>
<p>Reduce administrative burden of Inclusion Support Program applications</p> <p>The Australian Government should assess the application process required for the Inclusion Development Fund with a view to reducing the administrative burden on services.</p> <p>This should include considering whether requirements to seek reapproval when there are changes to the care environment could be relaxed and if further upgrades to the Inclusion Support Portal are required beyond those currently being implemented. [Draft recommendation 2.5]</p>	<p>Support.</p> <p>ELACCA supports this and calls for strong alignment and connection between the ISP, NDIS and state and territory funding for inclusion.</p> <p>At a minimum we recommend:</p> <ul style="list-style-type: none"> • stronger links to National Quality Framework and Quality Improvement Plans • much more simplified administrative processes. <p>This will reduce the burden on families as well as services, particularly the relaxing</p>

	<p>of reapprovals where there are changes to a child's care environment.</p> <p>ELACCA would be pleased to engage in dialogue with the Australian Government regarding immediate changes to the ISP approval process, and upgrades to the Portal, which requires significant and urgent improvements.</p>
<p>Improve coordination of inclusion funding between governments</p> <p>Australian, state and territory governments should better coordinate inclusion funding to reduce complexity for services and families. In the short-term, the Australian Government Department of Education and relevant state and territory departments of education should work together to streamline application requirements, to reduce the need for services to apply for funding multiple times.</p> <p>In the long-term, governments should clarify responsibilities for inclusion funding as part of a National Partnership Agreement on ECEC. [Draft recommendation 2.6]</p>	<p>Support.</p> <p>Need to coordinate funding streams across Australian, state and territory governments, and ensure consistent language, and approaches to categories, funding, etc.</p> <p>The outcomes of the NDIS Review need to be incorporated into a National Partnership Agreement (or National Agreement), and any risk of reduced inclusion funding must be mitigated.</p> <p>It is important for children and families to have a seamless experience, and we advocate for early childhood intervention specialists, including allied health professionals, being available through a joined-up ISP and NDIS, and state and territory inclusion funding. Specialised early childhood teachers are a critical part of early childhood intervention for young children.</p>
<p>ECEC services should be flexible and responsive to the needs of families</p>	
<p>Ensure integrated services are available where needed</p> <p>An ECEC Commission (draft recommendation 9.2) should be responsible for advising governments on the need for integrated early years services involving ECEC and the communities in which they are needed. [Draft recommendation 7.1]</p>	<p>Support in principle.</p> <p>ELACCA members have a diversity of views on the need for and structure of a possible ECEC Commission.</p> <p>However, ELACCA supports increased stewardship to steer and enhance provision of integrated early years services, including the identification of service gaps in communities where support is most needed.</p> <p>This includes timely developmental screening for children at key points from birth to starting school and the integration of allied health.</p>
<p>Support connections between ECEC and child and family services</p> <p>As part of its role in assessing access to ECEC, an ECEC Commission (draft recommendation 9.2) should be responsible for examining connections between ECEC and other child and family services and identifying the most suitable way to address any gaps. [Draft recommendation 7.2]</p>	<p>Support in principle.</p> <p>ELACCA members have a diversity of views on the need for and structure of a possible ECEC Commission.</p> <p>However, ELACCA supports increased stewardship to steer and enhance provision of integrated early years services.</p>

	<p>Integrated early years services should relate not just to integrated child and family infrastructure, but to recommendations from the NDIS review and the role of early learning and care, and should also be reflected in the Australian Government’s Early Years Strategy. This includes access to developmental screening at key ages and stages, and funding for capacity and capability building in the workforce to support early identification and intervention, for children with and without formal diagnoses. In-service access to allied health professionals is also vital.</p>
<p>Introduce a higher hourly rate cap for non-standard hours The Australian Government should raise the hourly rate cap for ECEC delivered during non-standard hours. In designing the higher rate cap, the Australian Government should ensure:</p> <ul style="list-style-type: none"> • families are required to provide evidence that both parents work non-standard hours to access the higher rate cap • the higher rate cap is only available during non-standard hours, with the definition adopted in the Children’s Services Award (weekdays before 6.00am and after 6.30pm and weekends) offering a useful anchor point (but is not available if services offer care for a short period either side of standard hours) • the higher rate cap is applied to all service types, although different rates should be set for each service type to reflect differences between them in costs of provision. <p>The higher rate cap should be set based on the costs of providing early childhood education and care during non-standard hours and subject to regular review and indexation as outlined in draft recommendation 6.2. [Draft recommendation 7.3]</p>	<p>Support in principle.</p> <p>In principle, ELACCA supports a higher hourly rate cap for non-standard hours, but recommends this is not a high priority for funding reform.</p> <p>ELACCA members advise that family demand for non-standard hours is low.</p>
<p>Examine planning restrictions related to operating hours State, territory and local governments should examine their planning regulations to ensure they do not unnecessarily restrict the ability of services to provide ECEC during non-standard hours. [Draft recommendation 7.4]</p>	<p>Support in principle.</p> <p>Members note different experiences with planning authorities and associated regulations.</p> <p>Some members have noted issues in specific councils receiving permission to operate after 6pm.</p> <p>As a general principle, ELACCA supports different layers of government working together to ensure planning regulations enable hours of operation to meet the needs of the community and are less burdensome for providers.</p>
<p>Ensure occasional care is available where needed An ECEC Commission (draft recommendation 9.2) should be responsible for advising on the need for additional investments in occasional care and the communities in which these services are needed.</p> <p>Where additional investments are required, funding should be available through a more flexible Community Child Care Fund. [Draft recommendation 7.5]</p>	<p>Conditional support.</p> <p>ELACCA members have a diversity of views on the need for and structure of a possible ECEC Commission.</p> <p>However, ELACCA supports further consideration of flexible service provision that meets the needs of children, families and communities, including occasional</p>

	<p>care, outside school hours care and non-standard hours of delivery.</p> <p>Occasional care requires careful consideration of wellbeing – for the child and family using the service, and minimising disruption for children enrolled. The continuity of care, and relationship between educator and child is vital to a child’s wellbeing and development. There is a risk to this in the use of occasional care, if it is not appropriately managed, and resourced with sufficient induction support.</p> <p>We do note there are cases where occasional care is required, including on an opt-in basis due to local or market circumstances (including for existing enrolled children, or first responder families).</p> <p>More consideration should be given as to whether the Community Child Care Fund is the most appropriate source of additional funding.</p>
<p>Support out of preschool hours ECEC</p> <p>To support greater access to outside preschool hours ECEC, the Australian Government should amend Family Assistance Law to:</p> <ul style="list-style-type: none"> allow dedicated preschools to claim the Child Care Subsidy (CCS) for additional ‘non-preschool’ hours by creating a separate ‘wrap-around preschool’ care type that would: <ul style="list-style-type: none"> not be subject to minimum operating periods or restrictions that it must not predominantly provide a preschool program in the year before full-time school attract the CCS for hours of ECEC delivered beyond jurisdiction-specific standard preschool hours, with services required to report on the length of the preschool session delivered make it easier for providers to establish a CCS-eligible ‘outside preschool hours’ service, by creating a separate ‘outside preschool hours’ care type that would cater primarily to preschool aged children and would not be subject to the minimum 48-week operating period. [Draft recommendation 7.6] 	<p>Noted – ELACCA recommends further consideration and consultation across the sector.</p> <p>ELACCA members have differing views in response to this recommendation.</p> <p>We recommend Government engage directly with the sector to further consider this recommendation, and its impact, including exploring the success and/or implications of any existing pilots of this approach.</p> <p>ELACCA advocates for continuity of care and consistency of relationship between the child and the educator, and would not support an out of hours preschool model that brought in a different staff cohort for ‘non-preschool hours’. Any change to the existing arrangements needs to be focussed on the child’s wellbeing and access to high-quality early learning and care.</p>
<p>Quality is paramount to achieving the benefits of ECEC</p>	
<p>State and territory regulatory authorities should improve their performance reporting</p> <p>To improve the transparency of the ECEC regulatory system, all regulatory authorities should publish an annual report detailing progress against key objectives, including metrics on the number of assessments performed, average time between assessments, funding and other monitoring, compliance and enforcement activities. [Draft recommendation 8.1].</p>	<p>Support.</p> <p>ELACCA and our members are committed to providing high-quality services for all Australian children in their early years.</p> <p>All regulatory authorities should be accountable for, and publish, an annual report with consistent and transparent metrics. This data should then be amalgamated into the ACECQA annual</p>

	<p>snapshot to provide a national view of the regulatory system.</p> <p>We recommend at least three-yearly assessment and rating of all services, and improved consistency of assessment and ratings within and between jurisdictions. National consistency is also important for time between assessments, which currently varies greatly.</p>
<p>Ensure regulatory authorities are adequately resourced The operations of the state and territory regulatory authorities that administer the National Quality Framework should be independently reviewed. This review should examine the timeliness of assessments, and whether additional funding is required to enable authorities to improve timeliness.</p> <p>Based on the outcomes of this review, the Australian Government should ensure additional funding is provided to state and territory regulatory authorities, to provide updated assessments within agreed timeframes. [Draft recommendation 8.3]</p>	<p>Support.</p> <p>ELACCA supports this recommendation, particularly to ensure better national consistency, in both timeliness and rating outcomes.</p> <p>Our members continue to note inconsistencies among regulators and Authorised Officers (AOs). Funding to support moderation and ongoing training by ACECQA, for AOs is recommended.</p> <p>Additional Australian Government funding is required to enable state and territory regulatory bodies to undertake, at a minimum, three yearly assessment and rating of all services to build community confidence in the quality of services and safety of children.</p>
<p>Incentivise quality provision in new ECEC services State and territory regulatory authorities should be required to consider the performance of a provider’s existing services when making decisions on an application to approve new services from that provider, and prioritise new service approvals from higher rated providers over those with lower existing service ratings. [Draft recommendation 8.4]</p>	<p>Support.</p> <p>A high-quality early learning system is strongly supported by ELACCA, and all ELACCA members.</p> <p>ELACCA supports a requirement for a provider’s existing service ratings to be rigorously reviewed when applying for new services.</p> <p>ELACCA recommends that for a provider to be approved for a new service the provider must be able to clearly demonstrate their ability to deliver a high-quality service.</p>
<p>A new review of the National Quality Framework Australian, state and territory governments should, through the Education Ministers Meeting, commission ACECQA to review the National Quality Framework, with a specific focus on the way in which services are assessed against the National Quality Standard, and if assessments could be made more accurate, consistent and efficient.</p> <p>NQF reviews should be conducted on a regular basis to enable regulators to incorporate feedback from ECEC providers as well as new findings from research on links between ECEC quality and children’s outcomes. [Draft recommendation 8.2]</p>	<p>Support.</p> <p>ELACCA supports a review of the NQF by ACECQA, particularly focussed on rating and assessments. We recommend this includes an ongoing moderation role, at least for Assessment and Rating outliers in state-level reporting.</p> <p>Members continue to note issues in national consistency and harmonisation. We recommend ensuring Authorised Officers have enhanced training and an early learning and care qualification.</p>

	<p>The implementation of the new Preschool Outcomes Measure should also be considered in this review.</p>
<p>Ensure appropriate quality regulation for services outside the scope of the National Quality Framework</p> <p>The Australian Government should ensure that any future funding models or agreements for services receiving direct Australian Government ECEC funding that are out-of-scope of the National Quality Framework include mechanisms to ensure and monitor the quality of these services.</p> <p>An ECEC Commission (draft recommendation 9.2) should be tasked with reviewing regulatory arrangements for out-of-scope services receiving direct Australian Government ECEC funding to ensure they meet the needs of children. As part of this work, the ECEC Commission, with Australian, state and territory governments should undertake a process of joint decision-making with Aboriginal and Torres Strait Islander services, communities and peaks to determine the appropriate way to regulate the quality of Aboriginal and Torres Strait Islander services out-of-scope of the National Quality Framework. [Draft recommendation 2.1]</p>	<p>Support.</p> <p>ELACCA supports ensuring quality for out-of-scope services is undertaken in direct consultation with ACCOs, importantly including SNAICC, the National Voice for Aboriginal and Torres Strait Islander children.</p> <p>ELACCA supports a culturally safe and strong definition of quality be determined in genuine partnership with ACCOs, and embedded in the National Quality Framework.</p>
<p>New coordination mechanisms will support universal access</p>	
<p>Improve policy coordination and implementation</p> <p>The Australian, state and territory governments should form a new National Partnership Agreement (NPA) for Early Childhood Education and Care (ECEC) by 2026. The NPA should articulate the national vision for ECEC and clarify roles and responsibilities between all governments.</p> <ul style="list-style-type: none"> • The Australian Government should remain responsible for early childhood policies in the years before preschool and for associated funding responsibilities and for the funding of outside school hours care through the CCS. • State and territory governments should remain responsible for preschool, school readiness and take on the responsibility of ensuring the delivery of outside school hours care in government schools. • Governments should build upon the Preschool Reform Agreement to ensure funding supports the desired outcomes, regardless of the preschool delivery model adopted in each jurisdiction. <p>The NPA can also help to establish a more formal stewardship approach, underpinned by an ECEC Commission (draft recommendation 9.2). [Draft recommendation 9.1]</p>	<p>Support.</p> <p>ELACCA advocates that this is consistent and of no less status than the National School Reform Agreement. Consideration of a National Agreement rather than a National Partnership Agreement also provides our sector with increased funding certainty and longevity.</p> <p>Specifically, ELACCA advocates:</p> <ul style="list-style-type: none"> • Governments to reaffirm and clarify roles and responsibilities for early learning and care. • joint Commonwealth/State responsibility for preschool is maintained (as per current Preschool Reform Agreement). • greater accountability for adherence to the new Agreement, including the distribution of Commonwealth funding to 'follow the child' by all states and territories. <p>Enhanced stewardship should play an important role in the design and implementation of this Agreement, including negotiating a nationally consistent approach for access to high-quality preschool provision in the two years before school.</p> <p>ELACCA supports the National Vision being articulated and informing the Agreement. ELACCA also advocates for the National Vision to be enshrined in Commonwealth legislation and aligned with the National Law and Regulations. Where relevant, the Early Years Strategy and associated action plans should also be incorporated.</p>

<p>Establish an ECEC Commission</p> <p>A stewardship model – where the Australian, state and territory governments better coordinate their roles in the ECEC system and share accountability for sector outcomes – should be implemented to address some of the challenges observed in the market, coordinate a more cohesive policy response and steer the sector towards universal access. This should be underpinned by an ECEC Commission, jointly established by the Australian, state and territory governments as part of a new National Partnership Agreement (draft recommendation 9.1).</p> <p>The ECEC Commission should have two main functions:</p> <ul style="list-style-type: none"> • support the Australian, state and territory governments to better coordinate and deliver ECEC policies, by providing information and advice • provide a mechanism to hold the system stewards publicly accountable for achieving the objectives of ECEC policy. <p>The ECEC Commission will require high quality data to execute its advisory and reporting functions effectively. It should have the authority to collect data from the Australian, state and territory governments, as well as mechanisms to safely store and share data between jurisdictions. [Draft recommendation 9.2]</p>	<p>Note.</p> <p>ELACCA members have a diversity of views on the need for and structure of a possible ECEC Commission.</p> <p>ELACCA provides feedback in response to Information Request 9.2 on possible structure and role of a Commission, should the PC recommend establishing one in its final report.</p> <p>Clarity on what problem is being solved is required, and a need for such a body to be structured and resourced appropriately with sufficient power and independence to succeed.</p> <p>Any new body needs to be established without duplicating functions of existing bodies, particularly where this is an efficiency for such bodies to be given enhanced funding and remit (for example, ACECQA and AERO). Minimising the impact of any additional regulatory burden must be a strong consideration.</p> <p>ELACCA does support the need for greater stewardship of our sector, as also recommended by ACCC in its final report.⁹</p> <p>Cost-benefit analyses should be undertaken before recommending to Government the establishment of any new body.</p>
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⁹ ACCC final report, Recommendation 7, p 10

Section 3: Detailed ELACCA responses to Productivity Commission information requests

This final section of our submission provides detailed responses to the information requests set out by the PC in its draft report. These responses have been grouped in priority reform areas as follows.

Workforce and availability

As the PC notes in its draft report, the early learning and care workforce, the availability of services for families and the quality of early learning provided to children are all intrinsically linked.¹⁰

Securing a stable and robust early learning workforce

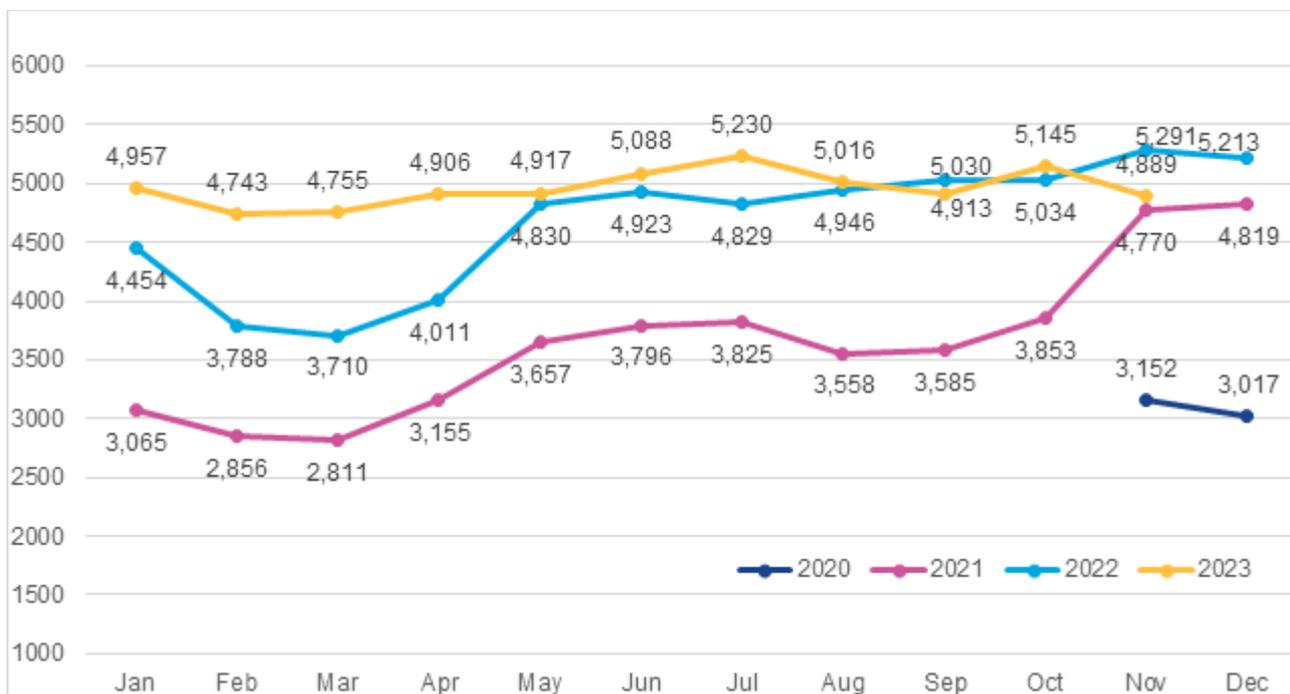
The single biggest contributor to high quality in early learning and care services is the education and training of early childhood educators.¹¹ A skilled, knowledgeable, and stable educator workforce is essential for supporting children’s learning and development. However, at a more fundamental level, early learning and care services simply cannot operate (to capacity, or at all) without the requisite number of educators in accordance with the *Education and Care Services National Law and Regulations*.

Arresting attrition through appropriate remuneration

The shortage of Certificate III- and Diploma-qualified early childhood educators (educators) and Degree-qualified early childhood teachers (teachers) was clearly apparent before the COVID-19 pandemic, but has exploded since mid-2021, fuelled by heavy workloads, educator and teacher burnout, and dissatisfaction with wages and conditions.

Figure 1 below shows total vacancies across ELACCA’s membership from November 2020 to our most recent data at end of 2023. This data demonstrates a compelling need for attention and investment to improve attraction and retention of our early learning workforce.

Figure 1. Total ELACCA member vacancies by Year and Month as of 25 November 2023¹²



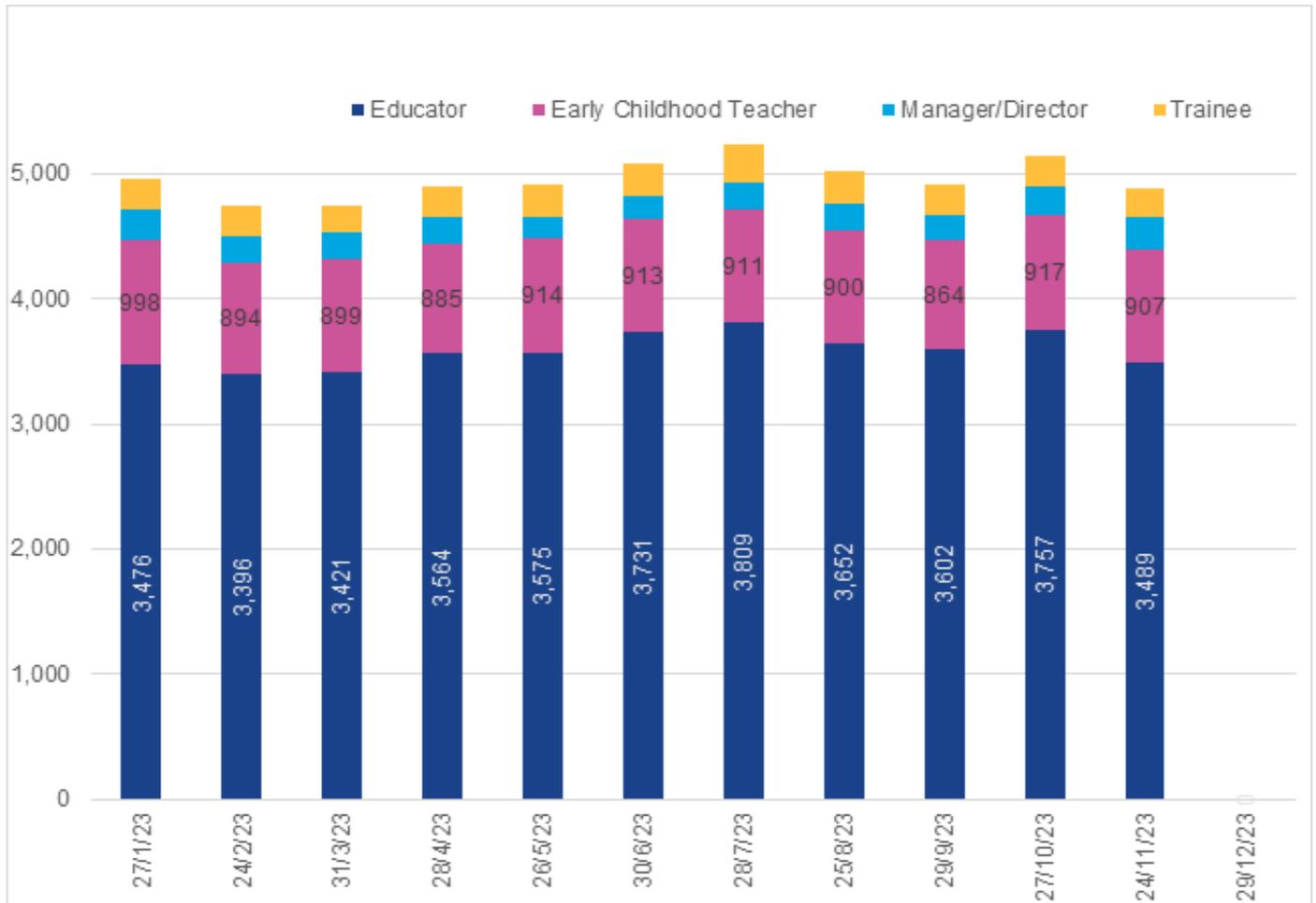
¹⁰ Productivity Commission draft report, p4

¹¹ Pascoe, S & Brennan, D. (2017). *Lifting our Game*, pp. 62-63.

¹² Data derived from internally held ELACCA data, collected from ELACCA members monthly.

Figure 2, below, shows the number of centre-based vacancies across ELACCA members, with just under 5000 vacancies as of November 2023. Noting that ELACCA members comprise 26% of licensed places across Australia, this data suggests that current vacancies across the sector sits at approximately 20,000 nationally. The steady rate of vacancy numbers particularly for educators (with almost 3,500 vacancies recorded in November in ELACCA), demonstrates a particularly compelling case for immediate and targeted action to arrest further attrition.

Figure 2. Number of centre-based vacant positions across ELACCA members as of 25 November 2023¹³



Workforce shortages in the early childhood education and care sector cannot be papered over. Early childhood educators and teachers must hold approved qualifications and must be deployed to meet minimum adult-to-child ratios. These ratios and qualifications are very necessary for children’s safety and the quality of their learning and care. There is no scope to operate using a ‘skeleton staff’. While regulatory waivers do enable limited divergence from the rules, they are a last resort for providers and regulators, who recognise that a skilled, knowledgeable and stable workforce is essential for the quality of children’s learning and development.

As a result of the workforce shortage, early learning and care services around Australia are continuing to cap enrolment and attendance numbers across rooms and asking families to voluntarily keep their children at home on certain days. This is clearly suboptimal for children’s learning outcomes, and for the workforce participation of their parents and carers.

The Government’s *Secure Work, Better Pay* legislation has enabled a Multi-Employer Bargaining (MEB) process to commence. ELACCA is not directly involved in this process but is hopeful it will result in increased wages and improved conditions for our sector in the medium term. However, to arrest attrition and increase attraction,

¹³ Data derived from internally held ELACCA data, collected from ELACCA members monthly.

significant co-investment in an immediate and long-term funding package from the Australian Government is essential.

Appropriate remuneration for the early learning and care workforce is the highest priority, and the primary reason for current workforce attrition, across our sector. Appropriate remuneration for our sector equates to pay parity for our early childhood teachers with primary school teachers, and early childhood educators with primary school support staff.

Similar to recent investment from the Australian Government in the aged care workforce, ELACCA recommends a Government-funded immediate wage supplement as part of a broader workforce package to help tide the current exodus from the sector. Wages alone will not solve the current workforce challenges. Additional, concurrent action and investment is required to lift the esteem of the profession, improve conditions and support staff wellbeing.

Support skilled migration for qualified early childhood educators and teachers

Skilled migration offers a potentially fast route to filling vacancies for qualified early childhood educators and teachers. However, administrative processes for skilled migration are currently slow and beset by double-handling across multiple agencies. In addition, only a small number of roles (early childhood teacher, centre manager) are eligible for skilled migration, limiting the scope for appropriately qualified educators to join Australian early learning and care services.

Recent changes to skilled migration policy introduced by the Australian Government, including an increase to the Temporary Skilled Migration Income Threshold (TSMIT) from \$53,900 to \$70,000 from 1 July 2023, has impacted the employment of migrant educators in our workforce - though it should be noted that we remain hopeful of an increase in salary rates for early childhood educators, commensurate with their skill and workload. Further, changes to Student Visa (subclass 500) arrangements, specifically a reduction in allowable working hours back to 48 hours per fortnight, have also affected our sector's educator workforce.

An Industry Labour Agreement to support targeted skilled migration of an early learning workforce would be welcome, similar to Aged Care Labour Agreement. ELACCA believes that this is worth strong consideration and negotiation between Australian Government, unions and the sector.

Need for strong action and investment

Workforce remains one of the biggest supply issues facing our sector. While we acknowledge the MEB process is underway, more urgent, whole of sector action and investment is required, including a long-term, suite of support to build and maintain a sustainable, robust workforce.

In their recent final report, the ACCC found that:

“The sector has a serious workforce shortage, which acts as a barrier to more suppliers entering or expanding their operations in childcare markets. As labour is a key driver of costs, increasing costs associated with attracting and retaining staff can highly impact service profitability and viability. Staffing constraints and high labour costs are more acute for suppliers serving regional and remote locations, households in areas of disadvantage, children with disability and/or complex needs, First Nations communities and 0- to 2-year-olds”.¹⁴

We welcome the current ECEC Workforce Capacity Study being undertaken by Jobs and Skills Australia, which will support future workforce initiatives and reform activity in the future.

In the immediate term, the most important, timely and impactful investment from Government, is to support and fund an increase in wages for our early childhood educators and teachers. Pay parity with like positions in government

¹⁴ ACCC final report, p. 16

primary schools is appropriate remuneration for the early learning and care workforce and will support attraction and retention of early childhood educators and teachers.

Recommendation 1

Invest in an immediate wages supplement and longer-term package to improve wages and conditions for all early childhood educators and teachers.

Information request 3.1: ECEC-related vocational education and training

The Commission is seeking information on the quality of ECEC-related vocational education and training (VET). In particular, the Commission would welcome views on:

- the impact of recent and ongoing reform
 - both to VET ECEC qualifications and the VET sector more broadly
 - on the quality of qualifications and the job readiness of ECEC graduates
- whether there are widespread problems with the quality of VET ECEC courses, and if so, what these problems are, why they exist and what should be done to address them.

Impact of recent and ongoing reform

Feedback from our members indicates that the Diploma is a well-pitched and rigorous program that seems well aligned to Australian Qualification Framework (AQF) level 5. The setting of a prerequisite for the Diploma qualification supports high-quality training and is a positive step. However, this does create problems for candidates who hold Early Childhood Certificate III qualification prior to 2013, and have been working in the sector continuously since gaining their qualification. These candidates must complete another Certificate III in early learning and care before gaining enrolment into Diploma. While they can gain recognition of prior learning (RPL), the process can be costly and takes time. Given the current workforce shortages, it would be beneficial if the prerequisite for CHC50121 could be expanded to include candidates who hold a recognised early childhood Certificate III, and have continuous or substantial service since completion. ELACCA members advocate that their continuous service with evidence of ongoing professional learning should be sufficient to gain entry to a Diploma course. In some cases, we acknowledge and support that additional information about NQF and Early Years Learning Framework (EYLF) may be required.

The establishment of Registered Training Organisation (RTO) standards by Australian Skills Quality Authority (ASQA), and a growing focus on continuous improvement by ASQA, are positive improvements and demonstrate growth in training quality in our sector. Some ELACCA members have advocated that ASQA needs to be more vigilant to ensure that private providers continue to provide quality training in accordance with the rules and standards.

We note that early learning and care VET courses are different from traditional VET qualifications, with a larger focus on theory and written work than many other qualifications. One result of this is that people are steered into the qualifications at Certificate III level with poor understanding of the requirements of the study needed to gain the qualification. It would be a valuable process for peak early learning and care bodies and providers to be engaged by the VET sector on a regular and ongoing basis to inform or co-design qualifications, and better communicate the aptitudes required to prospective students.

Quality of qualifications and job readiness

Members have noted that graduates from some RTOs are job-ready and of high-quality. However, there are widespread concerns about the quality of many VET early learning and care courses, affecting the job readiness of graduates, including:

- inadequate child development knowledge and little to no understanding of more practical strategies to support behaviour and to ensure inclusion for all children and families.
- insufficient preparedness for the operational rhythms across an average day in early learning and care, including how to plan and program and how to interact with children and families.
- minimal understanding of current Child Safe Standards, how to minimise and mitigate child harm incidences, and EYLF updates.

Providers need knowledge of what each unit of study's outcomes are to ensure they are confident in the content of traineeships and degrees and how they will be taught, to better support each prospective educator. This will also support providers to identify and complement any knowledge gaps and support ongoing skill development, once graduates are employed in the sector.

Recommendation 2

ELACCA recommends a sector-informed, Government-funded national induction program for all early learning and care graduates prior to commencing in their roles. This would support the preparedness of new members of the early learning and care workforce and equip them with every opportunity to succeed in their new role.

Availability and experience of training across jurisdictions

National consistency in training and funding opportunities remains as issue for providers. This is particularly apparent for large providers operating across multiple jurisdictions. There are only a limited number of national RTOs funded to deliver both Certificate III and Diploma of Early Childhood, making it difficult to implement a unified approach to training.

Key issues noted by members include:

- long wait time to begin training, including waiting for student number to transfer between systems. This should be streamlined, and nationally consistent, as it currently varies across jurisdictions.
- lack of support required by new trainees, particularly those with no previous exposure to the sector.
- insufficient academic rigour, students should only progress when they have demonstrated adequate skill competency, which presently is not always the case.

Further, members report an inconsistency between the expectations and standards between different institutions offering early childhood education courses. It makes it challenging for services to support students doing practicum for that reason. There needs to be set expectations so students have a consistent experience regardless of where they study. ELACCA would welcome the opportunity for institutions work directly with providers to co-design courses, to better equip students with the skills and understanding of the sector.

Recognition of Prior Learning (RPL)

RPL continues to be a contentious area and guidelines around RPL in early learning and care would be beneficial. As a number of providers offer RPL based on very little evidence and often to candidates newly enrolled into programs without having worked in the role.

This discrepancy caused by a lack of equivalence between new and old qualifications complicates the recognition of prior learning and the transition for educators seeking to upgrade their qualifications.

ELACCA notes the New South Wales has recently implemented RPL for Certificate III to Diploma, and recommends this is considered to be adopted nationally.

Recommendation 3

Consider national adoption of the New South Wales approach for Recognition of Prior Learning, for Certificate III to Diploma qualification.

Effectiveness of traineeship arrangements [Information request 3.2]

The Commission is seeking information on the effectiveness of traineeships as a career pathway in ECEC, for trainees as well as ECEC providers. The Commission would also welcome views on opportunities to improve traineeship arrangements.

Traineeships have grown in popularity as the workforce challenges have intensified, and they represent a significant opportunity to build the pipeline of new educators for our sector. ELACCA has advocated for supernumerary, or above ratio, trainees to be funded by Governments.

It is important to ensure that trainees have a positive experience and every opportunity to complete their courses. Some ELACCA members have highlighted the following opportunities for improvement:

- Review and streamline the traineeship sign-up process to ensure eligibility and commencement of the traineeship is smooth and efficient. At times there can be delays in the processing of training contracts, which impacts the trainee with a negative initial training experience.
- A funded, paid out-of-ratio induction period for new trainees would enable a quality start to their traineeship and set them up for success without the pressures of being in ratio.
- Promote collaboration between employers and training providers to ensure adequate support and mentoring is provided to trainees. Release time for mentors to work with their trainee paves the way for better engagement and completion of traineeship requirements. Trainees should also receive adequate paid time off the floor for study.
- Align employment contracts with training contracts, relieving the pressure of trainees to complete their qualification before the end of their work contract.

Members advised some possible solutions to improving the traineeship experience including:

- *Tailoring structure and support:* one member noted their RTO responded to feedback, and modified their process to meet sector and student needs. This includes recording training sessions to support access to training material at a later or more suitable time.
- *A national, centralised system to provide oversight by managers / employers of each student's progress:* one member's RTO is currently building this capability into their system, to ensure everyone involved with training at the provider, including students, have easy access to the key information at any time.

Members have provided the following reflections on the effectiveness of the current traineeship program:

Quality

- The quality of traineeships can vary significantly depending on the RTO delivering the program, affecting the consistency of training outcomes. The inconsistency in traineeship programs across different states and territories complicates the implementation of a unified national training strategy.

Support

- Incentives being paid to the student (incrementally) is a welcome change. Communication of what is available and how to access it would be useful for students, who often have difficulty navigating and understanding what support is available.

- Installing a dedicated person to partner and communicate with at the Apprentice Board. This has made a significant difference in 'pushing through' items for action, and provided an opportunity to explain to a person unfamiliar with early learning and care the challenges faced by our sector.
- Difficulty providing rostered study and training time due to staffing challenges. This influenced those who may be interested in study to not apply and affects completion rates, as many choose not to continue their study.

Funding

- Traineeship funding is only available for permanent staff. Traineeship qualifications need to be relaxed to support those on casual contracts to want to stay in the sector and be able to upskill. This of course depends on the casual team member involved and their commitment – but is another avenue for attracting the right people into our sector.
- Complying with the various regulatory requirements for traineeships can be burdensome for employers.

Pathways

- Greater awareness is required about traineeships as a career pathway, including within the sector, as many associate traineeships and apprenticeships with traditional 'trades'. The idea of being an apprentice educator is still novel to many. The career pathways that can grow from a traineeship are not well understood, including the potential for credit into university Bachelor of Teaching (Early Childhood) on completion of an Apprenticeship.
- Without clear pathways for advancement within the sector, trainees may feel uncertain about their career prospects within the early learning and care sector.
- Some students are demonstrating that they would prefer to come in as non-trainees rather than on a traineeship as the baseline pay is so low. This makes it difficult to attract new full-time employees until they have finished their course. The reality is, they are able to work at supermarket and subsidise their study with more money to take home to support the cost of living than they can do on a traineeship.

Falling completion rates for early childhood teaching qualifications [Information request 3.3]

The Commission is seeking views on the factors that have led to a decline in completion rates of early childhood teaching qualifications.

ELACCA supports PC's draft findings 3.3 & 3.4 that falling completion rates are likely related to the high proportion of Diploma qualified educators studying part time, and the lack of support/flexibility provided by universities (and possibly by their employers) to complete their study, together with the high personal cost of the practicum requirement.

ELACCA also endorses the Productivity Commission's view that:

- educators who are studying to become teachers should be offered accelerated pathways and greater flexibility to complete their qualifications while working.
- Early childhood teachers who hold degree-level qualifications approved by the Australian Children's Education & Care Quality Authority (ACECQA) should be eligible for teacher registration in all states and territories.¹⁵

The current high rates of turnover and attrition rates in the sector together with less than competitive salaries contributes to the loss of upskilling educators from the sector. Further, educators moving roles at-level within the sector can interrupt training, as they await a second reassessment and their student number to move to the new RTO's system once at their new centre. This affects their 'actively working towards' status.

¹⁵ Productivity Commission draft report p2

Early childhood teacher qualification

Undertaking a Bachelor degree while working also continues to be a challenge for many educators. Educators are still time-poor and often exhausted from their daily role. They also often can't afford to work part time or find time to effectively study and complete assignments. Financial and mentoring support to enable backfill and time off the floor is necessary to support completion of qualifications. Further, degree courses covered by a provider or State Government scholarships certainly make a difference to the studying experience of educators looking to upskill.

ELACCA long advocates for national consistency across many facets of early learning and care policy and operations. A national approach to accreditation and registration is needed, as is a national register of all provisionally and proficiently accredited early childhood teachers that can be accessed by employers. This is currently different in every state and difficult and time-consuming for providers – and current and prospective teachers – to navigate. Graduate teachers need to be supported before leaving university to better understand the process of accreditation and registration.

Barriers to contributing to a decline in completion rates

Some of the key challenges ELACCA members have observed or been advised as factors for decline in completion rates for Bachelor in Early Childhood degree include:

Adequacy and appropriateness of courses

- Universities all differ in the course requirements and delivery modes and members have found some coursework can be somewhat 'disconnected' from the realities of working in early learning and care.
- New entrants sometimes choose to leave the sector because it is not what they expected – especially when they've undertaken courses that do not align closely with the demands of the early learning and care and they feel unprepared for their roles or form the view that their pay and conditions are not commensurate with workload and responsibilities.
- For some students, the move to less face-to-face time in courses may appear to have an impact on completion rates, indicating the necessity for a variety of modes of delivery to suit different learning styles.

Pressures of study and availability of support

- The cost of qualification and resources required, including unpaid placement time, increasingly during current cost of living challenges, as well as lack of wrap-around support provided by the university and/or employer, often due to constrained resources.
- For educators studying while working in the sector, they often stop due to a lack of work/life balance and the stress that comes from working full time and feeling as though they do not have enough time outside of work to complete required course work.
- Challenges in meeting requisite Language Literacy and Numeracy (LLN) skill levels.
- Not being adequately prepared for the qualification, unaware it would be as difficult as it is to obtain degree.
- Students encountering academic or personal challenges may struggle to complete their qualifications.
- Difficulties for rural and remote potential scholars accessing early learning centres for practicums, and also limited or lack of internet access in remote areas to access online courses.

Availability of experienced educators for mentoring

- Insufficient numbers or support for experienced teachers and educators to supervise and/or mentor students, particularly exacerbated by workforce shortages.
- The early learning and care sector experiences high turnover rates, which can impact the continuity of care and education provided to children, as well as the coherence of team dynamics within centres. This frequent turnover can discourage educators from pursuing further qualifications, fearing their investment may not be realised if they choose to leave the sector.
- Professional status and conditions of career in early learning, especially compared to primary schools.

Some ways to overcome these barriers include:

- Extension of the Australian Government’s Paid Practicum Subsidy and the Professional Development Subsidy to improve the skills, qualifications and wellbeing of the educator workforce.
- Bachelor’s degrees being more strongly and regularly informed by the sector – including co-design of degrees.
- Working in a community of practice.

Based on ELACCA’s experience supporting educators through professional development and upskilling, we consider that targeted, bespoke program of support will support consequential improvements in retention. For example, the Paid Practicum Subsidy and the Professional Development Subsidy would strengthen ITE Boost, a wraparound support program delivered by ELACCA to educators undertaking the Bachelor of Education – The Early Years (Accelerated Pathway Program) at the University of Wollongong (see Case Study 1 below).

The Paid Practicum Subsidy would enable these educators to receive a replacement wage while undertaking 60 days of practicum placements. The Professional Development Subsidy would support experienced early childhood teachers to undertake mentoring training, to mentor these teachers-in-training during their studies, boosting their confidence, knowledge and course completion rates.

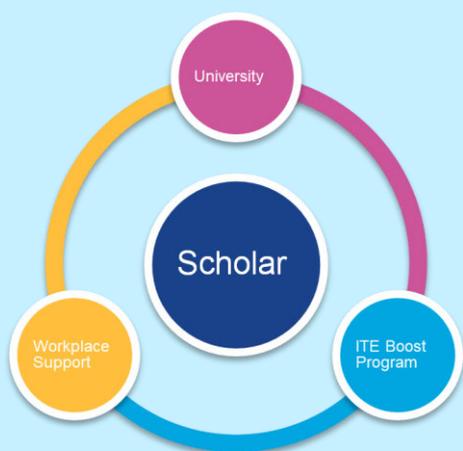
Case Study 1: Initial Teacher Education (ITE) Boost program

The Initial Teacher Education (ITE) Boost program was developed in response to the increasing unmet demand for early childhood teachers in early childhood education and care (ECEC) settings across Australia.

In 2023, a new accelerated degree commenced – the Bachelor of Education (The Early Years) – co-designed by the University of Wollongong and ELACCA, to boost the number of early childhood teachers, by removing barriers to study for those who are already working in the sector, looking to upskill. This degree is supported with funding from the New South Wales Department of Education.

ELACCA is working with other universities to develop, co design and deliver bespoke intensive programs to upskill diploma qualified educators to achieve a teaching degree qualification. ELACCA’s involvement in the co design of these courses ensures that the quality of the coursework is not compromised.

To successfully increase the number of early childhood teachers in the ECEC sector, it is necessary to build support infrastructure to ‘wraparound’ educators whilst they undertake study. The ITE Boost program works on the principle of a triadic collaboration between the university, the scholar’s workplace, and ELACCA.



University courses in the ITE Boost program have been co-designed with ELACCA to focus on reducing barriers and obstacles to completion of the degree, meaning that the university experience is uniquely designed and individualised to a cohort of learners who already have a diploma qualification and sector experience. This includes consideration of professional placements, assessment styles and how the learning content is delivered. Our relationship with the university continues for the duration of the program allowing ELACCA to provide ongoing input into the course design.

Workplaces with scholars in the program need to offer extensive support strategically tailored to their studying educators to ensure that they can complete the course. Workplace support contributes significantly to a scholar’s successful completion of the teaching degree. This support should be tailored to individual scholars needs and may include study leave and/or financial contributions.

ELACCA delivers centralised support through the ITE Boost program, connecting early to inform and work with educators and their workplace from initial queries through to the attainment of an early childhood teaching qualification drawing on contemporary research on retention and reduced attrition of early childhood professionals engaged in tertiary studies.

Access and affordability

Access to high-quality, affordable early learning and care should be available to all Australian children, regardless of where they live or their family circumstances.

ELACCA advocates for universal, and stigma free, access to early learning for every Australian child. ELACCA welcomes the Commission's recommendation (Draft Recommendation 6.2, Part 1) to relax the activity test to allow all children to access three days a week of subsidised early learning and care without an activity requirement. ELACCA, our members, and large parts of the early learning and care sector have long advocated for the removal of the activity test.

ELACCA supports abolishing the activity test, rather than a relaxation or reconfiguration of it. The activity test acts as a barrier to access to early childhood education and care, particularly for children from families experiencing vulnerability and/or disadvantage. Arguably these are the cohorts who have the most to gain from early childhood education and care.

Research of an Abecedarian early years program targeted at highly disadvantaged cohorts found a return of 7%, a conservative estimate which did not factor in a range of wider potential benefits and impacts. This study adds to the evidence that early education for children in low-income families is a very good public investment.¹⁶

Recommendation 4

Activity test: completely remove the activity test, as an unnecessary barrier to accessing early learning and care.

Potential modifications to the activity test [Information request 6.1]

The Commission is seeking views on the costs and benefits of options to modify the Child Care Subsidy activity test. Draft recommendation 6.2 would relax the activity test to allow all families to access up to 30 hours of subsidised care a week (60 hours per fortnight) regardless of activity, providing a step towards universal access.

Options for the levels of activity that should be required for hours above 60 hours of subsidised care per fortnight could include:

- retaining the current activity test for hours of care over 60 hours per fortnight. This would allow 60 subsidised hours for all families, up to 72 hours of subsidised hours for families with 16 to 48 activity hours per fortnight, and up to 100 hours of subsidised care for those with more than 48 activity hours
- simplifying the number of activity test tiers further by allowing 60 subsidised hours for all families and up to 100 subsidised hours for those with more than 48 activity hours
- simplifying the number of activity test tiers by allowing 72 subsidised hours for all families and up to 100 subsidised hours for those with more than 48 activity hours.

The introduction of a modified activity test could also be phased, for example, starting with lower income families, in order to allow time for supply to respond to increased demand and to evaluate the effects of the change before relaxing the activity test more widely.

¹⁶ W.S. Barnett, Leonard N. Masse *Comparative benefit-cost analysis of the Abecedarian program and its policy implications* National Institute for Early Education Research, Rutgers University, 120 Albany Street, Suite 500, New Brunswick, NJ 08901, USA Received 1 March 2005; accepted 26 October 2005

The Commission is seeking views on the costs and benefits of a phased introduction, and which cohorts of families would benefit most from being able to access a relaxed activity test earlier.

In response to this Information Request, ELACCA supports the option below:

- “simplifying the number of activity test tiers by allowing 72 subsidised hours for all families and up to 100 subsidised hours for those with more than 48 activity hours”.

This is determined on the foundation that up to 72 hours of subsidised care is more optimal than 60, as it enables a three-day entitlement, in that some long day early learning may offer up to 12 hours sessions.

ELACCA notes consideration of whether the introduction of a three-day entitlement with no activity test should be phased, and advocates that relaxing the activity test is an urgent reform that should not be delayed. It is important we remove barriers to children accessing early learning and care, particularly those experiencing disadvantage or vulnerability.

Child Care Subsidy taper rates [Information request 6.2]

The Commission is seeking views on how Child Care Subsidy taper rates could be designed if the top rate of subsidy was increased to 100% of the hourly rate cap, as proposed in draft recommendation 6.2.

This includes options to adjust taper rates for the Higher Child Care Subsidy, available to families with multiple children aged five or younger in ECEC who are eligible for a subsidy.

ELACCA supports a CCS taper rate that increases to 100% of the hourly rate cap (HRC) for low-income families. This will improve affordability and reduce complexity for families. In supporting this, we note the importance of resetting and appropriately indexing the HRC, to ensure they keep up with cost of delivery and wages.

We support a straight-line taper that provides 100% subsidy for families with a combined taxable income of \$80,000, down to 0% subsidy for families with a taxable income of \$530,000 or above.

ELACCA recommends the following key principles in the design of a new taper rate:

1. No family should be worse off than under current CCS system.
2. Greater financial support should be directed to lower-income households (based on testing of combined taxable family income).
3. Increased simplicity should be achieved by a straight rather than stepped taper. In line with other PC recommendations, the taper must be as easy as possible to interpret for families to understand their rates and entitlements.
4. It must take into account interaction with marginal tax rates to ensure that:
 - a. workforce participation incentives, particularly for lower-income families, are maintained
 - b. there are no disincentives for secondary earners to take on additional work.

Higher Child Care Subsidy (HCCS)

ELACCA supports adjusting the taper rates for the Higher Child Care Subsidy available for families with multiple children aged five or under, who are eligible for subsidy.

ELACCA supports the PC's assessment that the HCCS rate being no longer linked to the CCS rate creates additional complexity in the system.¹⁷

ELACCA supports the HCCS rate aligning to the CCS rate, with an adequate loading, with a smooth (rather than kinked) taper that follows the CCS taper. The straight-line taper should be set so that families' current entitlements are not decreased under the revised taper.

Potential expansions: CCS to families with restricted residency; Assistance for Isolated Children Distance Education Allowance to preschoolers in isolated areas [Information request 6.4]

The Commission is seeking views on the costs, benefits and practicalities of:

- expanding CCS eligibility to include families who have restricted residency in Australia such as temporary protection visa holders
- expanding the Assistance for Isolated Children Distance Education Allowance to include children receiving a preschool education in geographically isolated areas.

ELACCA supports expansion of CCS eligibility to include families who have restricted residency (including temporary protection visa holders), and expanding Assistance for Isolated Children Distance Education Allowance to include children receiving a preschool education in geographically isolated area. We support this noting the education is a core human right.¹⁸

These cohorts have the potential to make significant gains for access to a quality preschool program, and efforts should be made to accommodate them, noting clear challenges that need to be overcome including cultural and language barriers, and living in isolated locations with 'unserved' markets.

Further work is required with the sector to determine the mechanics of distance preschool education to ensure it is age-appropriate, supporting a child's development and enabling play-based learning. Access to distance preschool for geographically isolated children could have a significant positive impact on their schooling, and lifelong outcomes. However, services providing distance preschool would need to ensure they are culturally sensitive, and have the ability to determine children's developmental strengths and needs, including where possible early identification of any developmental delays.

Potential measures to reduce CCS administrative complexity [Information request 6.5]

The Commission is seeking views on the costs and benefits of potential measures to reduce Child Care Subsidy (CCS) administrative complexity.

These may include:

- streamlining the Higher Child Care Subsidy rate to be more aligned with the CCS rate over time
- allowing families who are already eligible for income support payments or a Health Care Card to be automatically eligible for CCS, and aligning processes that are similar across CCS and other payments

¹⁷ Productivity Commission draft report, p.29

¹⁸ *UN Convention on the Rights of the Child* principles must be applied, as outlined in various articles, including providing opportunities for play and leisure (See Article 31), prioritising their best interests (See Article 3), and ensuring a safe and protective environment (See Article 19). See <https://www.unicef.org.au/united-nations-convention-on-the-rights-of-the-child>

- extending the initial length of eligibility for Additional Child Care Subsidy (Child Wellbeing) from six weeks to 26 weeks and subsequent lengths of eligibility to between 26 and 52 weeks
- extending the length of eligibility for Additional Child Care Subsidy (Child Wellbeing) for those children on a long-term protection order, in formal foster care or in a formal kinship arrangement, while their circumstances remain unchanged
- extending Additional Child Care Subsidy (Grandparent) to recognise informal kinship carer arrangements
- maintaining a child's eligibility for CCS for a period of eight weeks when there is a change of guardian.

ELACCA is supportive of measures to reduce the administrative complexity of the CCS, and for it to be more easily understood by families, and across the sector more broadly.

ELACCA's support for streamlining the HCCS rate is indicated in our response to Information Request 6.2.

Additional Child Care Subsidy (ACCS)

ELACCA supports proposed changes to the ACCS posed by the PC, which reduce reporting and administrative burden to ensure accessible and continuous entitlement to early learning and care.

ELACCA notes that, if draft recommendations 5.1 and 6.2 are adopted by Government, all children will have access to three days per week of subsidised early learning and low-income families will have a 100% subsidy rate. With this in mind, there is little to no justification for excessive administrative burden for children experiencing vulnerability and disadvantage to access two additional days of subsidy. This is true for both ACCS Child Wellbeing and ACCS Transition to Work, including the requirement to regularly reapply for entitlements when circumstances remain unchanged. Many of these families and carers may be experiencing or responding to vulnerability, disadvantage and/or trauma, any barrier to children in these circumstances should be removed as a priority.

It is also anticipated these reforms will reduce the administrative burden on services, with staff often taking on an informal service navigator role to support families and carers.

Our support is provided for:

- Automatic eligibility for CCS for families with a Health Care Card (HCC) and aligning processes with other payments.
- Extending the initial length of ACCS eligibility from six weeks to 26 weeks and subsequent lengths of eligibility to between 26 and 52 weeks, noting children do not move in out and out of risk in 6-26 week windows.
- Providing continuous entitlement to ACCS for children on long-term care arrangements and formal care arrangements with no change to circumstances by applying ACCS as a child-level entitlement, not linked to their parent or guardian.
- The extension of ACCS (Grandparent) to informal kinship carers.
- Maintaining CCS for an 8-week period when there is a change of guardian.

Long term ACCS reform should consider automatically providing ongoing ACCS Child Wellbeing (up to 120% subsidy rate for five days per week) for children from birth to 5 years for children with who meet or have experienced certain risk factors, including but not limited to, where children (or their families) are subject to any child safety or child protection intervention, have incarcerated parents, are homeless or residing in emergency accommodation, experiencing domestic or family violence, etc.

Scope for broader funding reform [Information request 9.1]

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

ELACCA welcomes the PC's recommendations intended to optimise and improve the current funding model for early learning and care. As outlined in more detail through this submission, we support the:

- Proposed changes to the Activity Test, HRC resetting and indexation, measures to reduce administrative complexity and modifications to taper rates; and
- Recommendations around dedicated funding for ACCOs and improved investment in inclusion support.

We believe these amendments will significantly improve the adequacy, efficiency and accessibility of the CCS, with clear benefits to children and families, the early learning and care workforce, service providers and government. We note and support that a single funding model is not appropriate for our sector, given the diversity of care types, service delivery models and community contexts.

We welcomed the ACCC's finding that "on average, profits do not appear to be excessive across the childcare sector"¹⁹, and note that neither the PC's Draft Report nor the ACCC Final Report identify wholesale funding reform as a priority. Indeed, the PC notes:

- The significant challenge of designing an appropriate and effective funding model for a system as diverse and complex as early learning and care;
- The consequences of getting the fundamental settings wrong and failing to provide adequate funding for quality provision;
- The risk of significant costs to taxpayers in the transaction costs of changing the system fundamentals; and
- The higher priority of other reforms in the short-term.

Both PC and ACCC reports indicate that the core funding instrument is broadly effective for the majority of families / in most contexts, but highlight specific challenges around equity and inclusion, provision in thin markets, enabling adequate and appropriate investment in the workforce, and the complexity of the funding model for families. Accordingly, in considering future funding reform, ELACCA suggests that the following issues are priorities:

Investment strategies and funding models that provide sufficient and stable funding for equity and inclusion, particularly a fit-for-purpose funding model for ACCOs and an increase in the quantum of the ISP and improvements to reduce the administrative burden.

Addressing persistently low wages in the sector and delivering on the ambition for wage increases. Addressing the lack of incentives and appropriate resourcing for quality provision in thin markets and for services with high proportions of children / families with experiencing disadvantage, broadly consistent with the ACCC's advice and in line with our advice on Information Request 7.1.

Case for a mix of demand and supply side funding

As noted by the ACCC, government pursues multiple policy goals through its investment in early learning and care and "a single policy approach that achieves all these desired outcomes for all children and households is unlikely to be possible."²⁰ In line with this finding, and as a general principle, we suggest that **there is a clear case for both demand-side and supply-side funding in early learning and care, in order to deliver the multiple policy goals for early learning and care.**

¹⁹ ACCC Final Report p.125

²⁰ ACCC Final Report p. 2

Demand-side funding is appropriate for meeting the diverse needs and preferences of families and delivering the workforce participation goals of the system

Participation in early learning and care is variable and is shaped by the needs, priorities / preferences and circumstances of individual families. Early learning and care funding needs to meet this diversity and be flexible enough to respond to families in different circumstances – a level of flexibility necessary to achieve the system’s workforce participation policy goals.

Given the diversity of needs and the fact that families are not accessing a uniform service offering, a demand-side funding model makes good sense. It also provides flexibility in a way that’s efficient for government. Currently, the demand side funding model works well for most families in most communities.

Supply-side funding is more appropriate for delivering on the specific policy goals around equity, inclusion and quality

Governments also aim to strengthen quality, accessibility and inclusion, as these are essential for delivering on specific policy goals around equity and children’s learning and development. Achieving these goals requires predictable and sustained funding (for example, not directly linked to attendance), that’s differentiated and based on context / need, and that is simple to access and administer.

A supply-side approach is a more effective and appropriate mechanism for addressing the fact that the core costs of delivery are higher in some contexts.

The ACCC found that demand-side-only funding has resulted in greater incentives to supply services in more advantaged communities and where families have greater capacity to pay. They suggest there is a clear case for a supply-side funding model to address this distortion in the market in remote and disadvantaged communities.

ELACCA generally supports the ACCC’s proposed differentiated approach to funding model design, but suggests that ‘supply of places’ alone is too narrow a conceptualisation of ‘underserved markets’ and that there should be supply-side loadings for other key policy objectives for early learning and care, including:

- **Inclusion**, for example, through an improved and streamlined ISP (including covering the full cost of an additional educator)
- **Equitable access**, including embedding strategies to address the range of access issues identified by the PC and establishing clear incentives and sufficient resourcing for high-quality services with high proportions of children experiencing disadvantage and/or children living in remote and very remote locations.
- **Quality and workforce**, including investments in workforce development or improved wages and recognition of the higher costs of delivering quality services in contexts of disadvantage.

The PC proposes a grant program similar to the CCCF to achieve some of these policy goals, but embedding them within the core funding model design is a more efficient and equitable approach, one that does not impose as significant an administrative burden on services, and that recognises that families experiencing adversity and children with complex needs are not only concentrated in discrete communities or a small subset of services.

Currently, the funding model can ensure the fees families pay is linked to their income / capacity to pay and to the services they are accessing, but there’s no similar mechanism to direct additional resourcing to services to meet the needs of children and families requiring additional support. The funding model should be both needs-based and progressive.

Limitations of a supply-side-only approach

We also note that a supply-side-only approach is likely to be as problematic as an all-demand-side approach. While supply-side models have the appearance of greater simplicity and equity, they are very susceptible to being set at inappropriate levels, losing value over time, driving unintended consequences around reduced quality and restricted supply of places. In failing to keep pace with changes in cost of delivery, they can:

- End up disincentivising growth in supply of places (partly from insufficient incentives to expand, partly from insufficient revenue to finance growth and innovation).
- Result in providers leaving the market altogether, risking significant reductions in the supply of places and a reduction in diversity and competition.
- Risk driving down quality by making investments in workforce and drivers of quality and inclusion more difficult to make and sustain (for example, additional spending on workforce wellbeing, enhanced educational resources for children, initiatives that support outreach / community engagement).
- Be susceptible to the challenges inherent in an efficient cost approach, outlined in detail below.

These challenges played out notably in Quebec's introduction of a low flat-fee for childcare. While it was initially a popular announcement and increased female workforce participation, it had significant negative effects on quality and service availability. Supply of places did not keep pace with demand, and where there was growth, it was in low quality services that were not consistently meeting basic health and safety standards. Our members report that some providers left the market altogether because of the difficulty of delivering quality services within the funding envelope.

By 2021, Quebec faced a shortfall of 51,000 early learning and care places.²¹ Canada's current \$10 a day also reflects a very different context to Australia, including lower qualification expectations for educators, lower wages and lower rents. Further, supply-side models are effective and appropriate in contexts where the service being supplied / demanded is relatively consistent and well-defined. In early learning and care:

Demand is shaped by individual family circumstance (with significant differences in preferences which / how many days, between families and over time); and

There's considerable diversity in the early learning offering being supplied (with differences in size and scale shaping how service are delivered, differences in philosophy and approach that shape the educational approach and model, and differences in provision for children with additional needs).

This complexity in both demand and supply creates considerable complexity for a supply-side model to account for efficiently and without significant over-subsidisation across the system. The current demand-driven system creates capacity to be adaptive in the context of a highly dynamic system.

Australia's system is also strongly progressive and linked to capacity to pay, while a flat-fee supply-side funding model would, in effect, be highly regressive. A flat \$10 a day fee is a much higher proportion of weekly income for a lower-income family.

Recommendation 5

That PC and Government reject consideration of a flat-fee, supply-side funding model similar to the current Canadian model. This does not lend itself to an Australian context and would have significant unintended perverse impacts, particularly around families' access to services and the quality of early learning and care for children.

Core principles for early learning and care funding model design

There are a core set of design principles that should be considered in any further consideration of broader funding reform, and the ambition should be to deliver material improvements on the status quo.

²¹ Fortin, P (2018) *Quebec's Childcare Program at 20*, Inroads - The Canadian Journal of Opinion, Issue 42. Accessible at: <https://inroadsjournal.ca/issues/issue-42-winter-spring-2018>; The Line (12 January 2022) *Rahim Mohamed: Quebec's Child-Care Program at 25: A Scorecard*. Accessible at: www.readtheline.ca/p/rahim-mohamed-quebecs-child-care?r=4dseo; Montreal Gazette (23 August 2021) *With a wait list of 50,000, Quebec announces 9,000 new daycare spots*. Accessible at: <https://montrealgazette.com/news/local-news/with-a-wait-list-of-50000-quebec-announces-9000-new-daycare-spots>

Early learning and care funding should:

- **Be sufficient to provide *high-quality* early learning and reflect what's needed to deliver positive outcomes for children.** The core funding settings should reflect the realistic costs of delivering high quality early learning (including talking into account different costs of delivery in different locations, including in regional and remote areas, and for children of different ages). Indexation settings must ensure both the ongoing adequacy of funding and that any changes in policy / regulatory requirements are built into the core funding model settings.
- **Be needs-based and affordable.** Early learning and care should be affordable for all families and cost aligned with capacity to pay, and the funding model should recognise that the cost of delivering quality early childhood education is higher in some contexts and for some children.
- **Be sustainable.** The funding settings should be sufficient to support high-quality provision, in ways that are efficient and affordable for government.
- **Ensure complexity sits with those with the greatest capacity to manage it.** The system should be simple for families to understand and navigate; efficient for providers to administer; and ensure as much of the complexity (of administration, eligibility assessment, compliance, alignment of different funding sources/models) sits with government as is possible.
- **Promote a diverse sector.** The funding model should enable diversity, growth and innovation in provision. The model should recognise different funding streams and mechanisms (CCS and non-CCS), including Commonwealth and State Government funding for preschools.

Indexation of Hourly Rate Caps (info request 6.3)

The Commission is seeking information on how the level and indexation of the Child Care Subsidy's hourly rate cap could be adjusted to better reflect costs of provision over time, including a higher hourly rate cap for non-standard hours, as proposed in draft recommendations 6.2 and 7.3

Recommendation 6

Reset the HRC:

- repeating the methodology that was previously used to set the HRC at the 85th percentile.
- maintain current price-based mechanism – do not move to adopt an efficient cost methodology.

Further consideration of a daily rate as recommended by the ACCC is supported, noting a move to daily rates is not currently endorsed by ELACCA.

ELACCA supports an update to the Hourly Rate Cap (HRC) and an ongoing indexation methodology that ensures the value of the funding model is sustained over time, along with the introduction of more effective and fit-for-purpose price transparency initiatives.

Getting HRC settings right is essential for ensuring the adequacy of the funding model does not deteriorate over time, resulting in:

- A higher proportion of the cost of delivery being passed on to families, resulting in growth in out-of-pocket costs.
- Reduced investment in elements of delivery that support quality, workforce development, equity and inclusion.
- Reductions in the supply / growth of services because of constrained access to capital.
- Withdrawal from operating services in higher cost communities or for higher cost children.
- The HRC was also intended to help constrain fee growth by acting as a price signal for families and a disincentive for providers to increase fees beyond the cap, while also helping constrain government expenditure.

Our analysis of the value of the HRC shows that while it was initially set at the 85th percentile, it currently sits just over the 51st percentile for ELACCA members (Figure 3). Our analysis is based on ELACCA service data rather than a sample of the whole sector, but nonetheless demonstrates a significant erosion in value that suggests that if the HRC was still at the 85th percentile, the HRC could be nearly \$1.80 an hour higher.

Both the ACCC and the PC recognise that the current HRC settings are not working as intended:

Because they have not kept pace with changes in underlying cost of delivery (especially wages), they have contributed to increases in out-of-pocket costs for some families.

As the ACCC Inquiry made clear, early learning and care delivery costs have grown faster than CPI, progressively eroding the value of the HRC.

It is the interaction between the taper rate and the HRC that influences out-of-pocket costs for families. Erosion in the value of the HRC results in a higher proportion of services charging over the HRC, meaning that the proportion of the total cost borne by families increases and more families pay higher out-of-pocket costs. Without addressing the fundamental structural issue around indexation, the proportion of affected families is likely to grow.

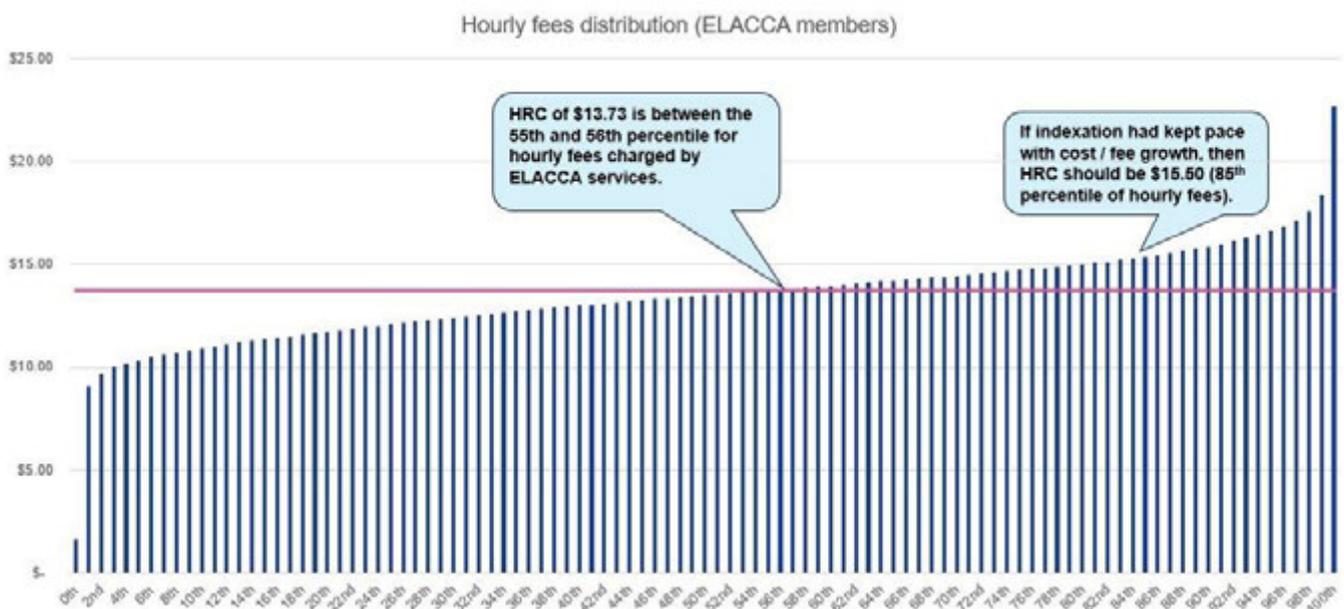
The families that are particularly affected by this are low-income families attending high-fee services, for example, in inner city areas where property costs are very high.

Because of the wider structure of the market, they have not proven particularly effective as a price signal or disincentive to increase fees beyond the cap.

The ACCC finds that providers primarily take into account the cost of delivery and local capacity to pay when determining fees (and that local markets are relatively competitive, making this an effective process). They also note that families are not significantly price-sensitive (especially because price differences are not substantial within local markets), which mutes the effect of the HRC as a price signal.²²

Accordingly, and as the PC and ACCC find, there is a clear case for reviewing and resetting the base HRC rates, adopting a more effective indexation model, and developing more fit-for-purpose price transparency strategies for managing the risk of excessive fee increase.

Figure 3: ELACCA services hourly fee percentiles



²² ACCC, Final Report, p. 38.

Note: Outliers have been removed from the analysis

Resetting the HRC

There's a clear case for resetting the HRC, but no strong rationale for the recommended average efficient cost approach. This is for three key reasons:

1. There is no clear problem that would be solved by moving to an efficient cost model

The issues with the current operation of the HRCs are driven more by inadequate indexation than the original base, and there is not a wider policy / market functioning problem an efficient cost approach would solve. Neither the PC nor the ACCC has identified:

- Issues with the efficiency of the early learning and care market (which might warrant an efficient cost model to rein in excessive / inappropriate / inefficient spending or operating models); or with
- Excessive fees and roting (which might warrant an efficient cost model to constrain costs).

Indeed, the ACCC finds that the market is relatively efficient and concludes that margins for large providers are not excessive.²³ There's no clear rationale for changing the basis on which HRCs are calculated.

2. Government does not have the data infrastructure

Government does not have a sufficiently mature understanding of the cost of delivering quality early learning and its variability across the country to develop an appropriate and sufficiently sophisticated efficient cost model.

The PC proposes using the data collected by the ACCC to derive "an average efficient cost" and use this as the basis for setting the HRC. However, the ACCC themselves are clear that there are significant data limitations and that "the significant number of providers of childcare services in Australia, and the differences in record keeping and cost allocation, obtaining a comprehensive, detailed, and consistent cost dataset is an extremely significant and time-consuming exercise."²⁴ The ACCC's data is:

- not representative of the whole sector
- not comprehensive and provides a blunt and incomplete understanding of the cost drivers and dynamics within the sector
- not feasible to collect and report on a regular basis – the burden on large providers was considerable and is not feasible for small and standalone providers.

In the sectors where efficient cost models are established (i.e. aged care) or mature (i.e. hospitals), significant investments (of time and money) are made to build a nuanced and sophisticated understanding of costs and their variability and to maintain the currency of the data. The rapid ACCC data collection process is not a meaningful alternative to the systems established in health and aged care.

In addition, the structure of the hospital and aged care markets are starkly different to early learning and care, where not only is there significantly more providers and services to increase the complexity, there is a much greater level of diversity within the market (including different levels of scale, size of operation, operating context, purpose and business drivers, capability and the impact of different preschool funding models between each state and territory). These factors make it more challenging to develop a meaningful and realistic understanding of "average costs".

Illustrating this challenge, ELACCA has questioned the ACCC's contention that the costs of delivery are relatively consistent across the country (with the exception of remote communities and inner-city services), as it is the

²³ Australian Competition and Consumer Commission, Childcare Inquiry September interim report (ACCC September Interim Report), (Canberra: September 2023) <https://www.accc.gov.au/inquiries-and-consultations/childcare-inquiry-2023/september-2023-interim-report> ACCC, Interim Report, p. 191

²⁴ ACCC September Interim Report p. 41

experience of our members that property costs, staffing and equity / inclusion costs vary markedly service-to-service. Viewing these costs at too aggregate a level washes out the difference, but they are differences that are very meaningful in practice and have a direct impact on the quality and equity policy goals for early learning and care.

3. The risks of assuming a low average efficient cost are very high

There are clear risks of establishing an artificially low HRC based on an assumed average efficient cost, including:

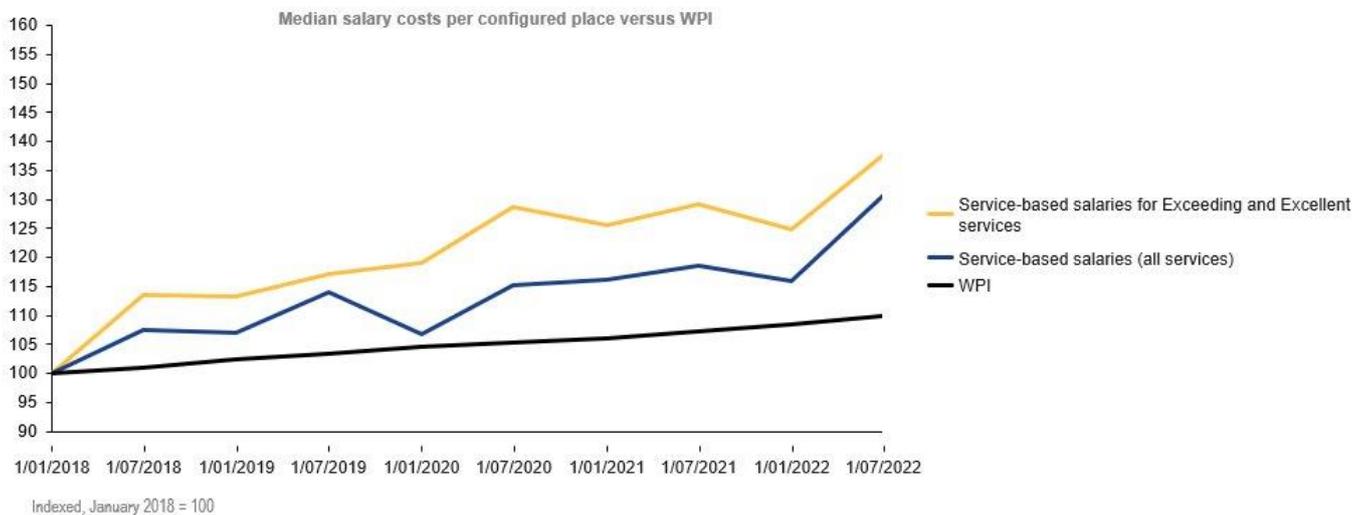
- Disincentivising provision in high-cost areas, restraining accessibility for families.
- Incentivising cost cutting and discouraging investments in workforce, quality, equity and inclusion.
- More providers charging above HRCs resulting in higher out-of-pocket costs for families.

For example, analysis of ELACCA member data highlights that salary costs for Exceeding and Excellent services are consistently higher and have grown faster than the average for all services (and considerably higher than the WPI) (Figure 4). A blunt approach to setting the HRC based on average salary costs would penalise high quality services and disincentivise investment in the early learning and care workforce. As both the PC and ACCC note, there is currently a significant workforce shortage in early learning and care, and it is clear that investing in wages is critical for:

Delivering quality early learning, including through reducing staff turnover, enabling more stable and consistent teams, better relationships with children and families and opportunities for professional learning and growth.

Improved financial stability, with reduced staff turnover contributing to improved family satisfaction, higher occupancy and therefore lower costs per attendance.

Figure 4: Median salary costs per configured place versus WPI



Note: the COVID-19 pandemic has contributed to significant wage growth in the sector, evident in the steep growth rates post 2020.

Given the severity of the potential risks, the absence of a clear problem definition and the significant cost and effort involved in development, we do not support the use of an efficient cost methodology.

A price-based methodology: the preferred approach

The methodology used to establish the current HRC was reasonable and adequate. It was set at the 85th percentile of average fees and was adequate for most services in most contexts.

As the ACCC found, local early learning and care markets are competitive and effective and there's no reason to believe fees significantly outstrip costs of delivery. Further, the fact that the majority of services still charge under the HRC indicates that it is not acting as a de-facto price floor and driving up prices. Setting the HRC at the 85th percentile would also continue to place downward pressure on fees, with little risk that it would work as a de-facto price floor (given the majority of services continue to charge well below the HRC even with the significant erosion in value over time).

This approach is easy to implement, achievable within the current data infrastructure, and is appropriate / sufficient for providers. Consistent with the PC's recommendation, we support regular analysis and resetting of the HRC as required.

Higher HRCs for extended hours are not needed for long day early learning

The PC also seeks advice on the appropriateness of higher HRCs for extended hours. It is the experience of ELACCA members that demand for extended hours in long day early learning is too low / distributed to be viable across the sector. Although some families may seek centre-based care after hours or on weekends, it is a small proportion of the client base of each service – making a centre-based response to this demand inefficient and difficult to offer.

This may be appropriate for other care types or in very specific circumstances (such as services adjacent to hospitals) – but an alternative funding arrangement may be more suitable for these instances than an 'across the board' alternative HRC.

Consideration of a daily HRC

The ACCC has proposed further consideration of a daily HRC rather than an hourly HRC, and note that "there would need to be more detailed exploration of the incentives and consequences of such a change, including consideration of setting and monitoring minimum requirements to avoid creating incentives for childcare providers to reduce flexibility or quality."²⁵

ELACCA supports further consideration of a daily rate cap but agrees that significant additional analysis is needed to understand the implications and ensure the settings do not create inappropriate incentives for reducing quality or restricting capacity to meet the different needs of families and communities.

Establishing a more effective indexation methodology

The key issues with the operation of the current HRC are driven by inadequate indexation, with the costs of early learning and care delivery (especially wages) outstripping CPI. Ensuring the CCS settings maintain their value over time requires an appropriate indexation methodology. CPI has not proven to be an effective benchmark for early learning and care -specific costs. In four of the last five years (2018 to 2023), the WPI has been lower than ECEC award rate increases and also fails to account for non-wage increases (particularly property costs).

There is no perfect model of indexation, but the methodology should be simple to calculate, leverage readily available data be practical to implement. It should also include consideration of labour and non-labour costs, as well as an additional mechanism for responding to sector specific changes (policy / regulatory changes that impose additional costs on providers, or significant price shocks).

Labour costs: It will be important to ensure the indexation reflects changes in early learning and care wages, given this represents the most significant cost for all providers (70% of total costs on average) and because both the PC and ACCC recognise the importance of workforce investments for quality and the risks to system sustainability from significant workforce shortages.

²⁵ ACCC Final Report, p.9

Non-labour costs: CPI is likely to be an adequate indexation measure for the ~30% of non-labour costs (noting the ACCC found that early learning and care property costs grew slightly above CPI and significantly above retail and office land and property costs).

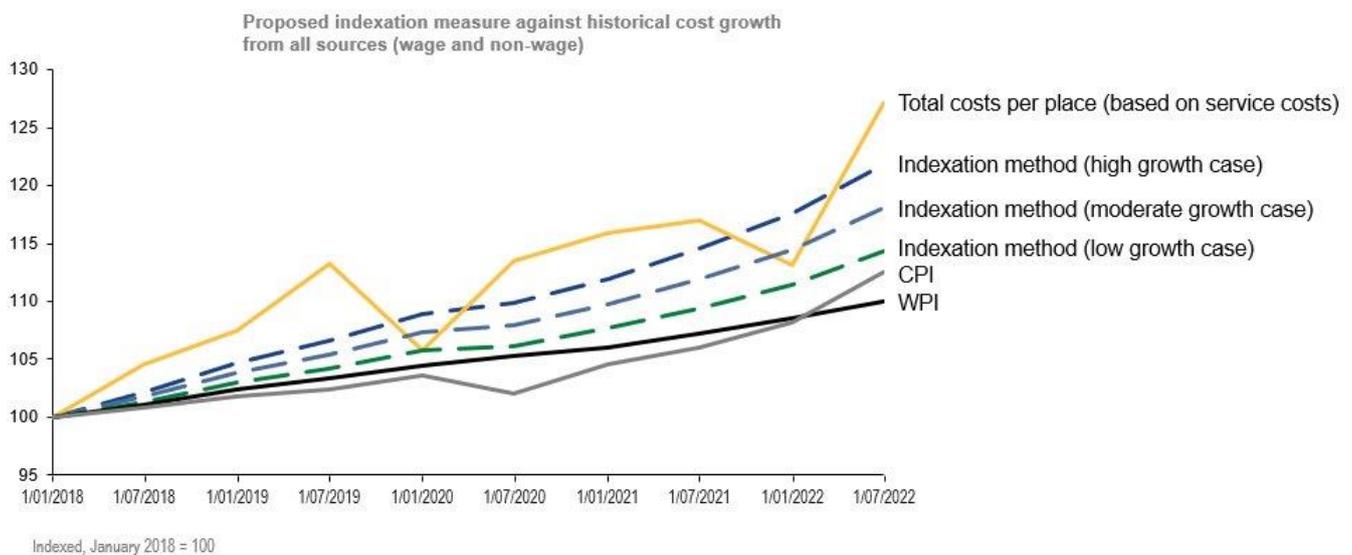
A mechanism for addressing sector specific costs: To date, regulatory changes (such as new staffing requirements and heightened quality expectations) and policy changes (including implantation costs of policy initiatives, heightened expectations from the workforce, greater demands on leaders) have been absorbed by providers. A mechanism (such as enabling ministerial discretion) would allow those sector-specific, point-in-time increases to be made. This would be consistent with the approach to indexation in aged care.

We have tested an indexation methodology that is based on the principles above and leverages available data. It includes:

- A 30% CPI component
- A 70% wages component, reflecting an estimation of actual ECEC wages.²⁶

We retrospectively applied this methodology to test its effectiveness (making assumptions about high, low and moderate growth rates) (Figure 5), and found that under all scenarios this methodology provides a moderate position between the actual average cost growth faced by early learning and care providers and WPI/CPI. This provides a balance between incentivising efficient delivery and managing the overall financial exposure of government.

Figure 5: Proposed indexation methodology



Improved price transparency will be more effective as a price signal

The HRC was designed to act as a price signal (to help families identify average / expected fees). The ACCC is clear that the HRCs have been ineffective in this role, finding that they do not meaningfully inform providers decisions about fees (because core cost of delivery and local market capacity are more significant drivers) and

²⁶ This measure was derived from WPI and adjusted for the early learning and care sector, reflecting historically faster growth rate of wages in the childcare sector over the economy-wide WPI. For this analysis, the figures were calculated by adding a multiplier to WPI, computed as a blended average of the historical growth rate in childcare wages and the WPI. The blended average of the historical growth rate in childcare wages is results in a WPI ECEC adjustment multiple = Weighting on ECEC wages * Annual growth in ECEC wages (2018-2022)¹ + Weighting on WPI x Annual growth in WPI (2018-2022). Other methods of estimating ECEC-specific wages include benchmarking to Award rates.

families do not use them to guide decision-making (in part because of the complexity of understanding their own out-of-pocket costs).

ELACCA supports the development of enhanced price transparency and effective communication to families – alongside the resetting and enhanced indexation of the HRC – as a more effective mechanism for constraining excessive fee growth.

Inclusivity

Inclusion of children and families from a diversity of abilities, social-economic, cultural and family structures is vital to a high-functioning, quality early learning and care sector. Cultural safety, awareness and celebration of differing abilities and circumstances is an important feature of inclusion, and the psychological safety of all young children, regardless of their background. ELACCA supports that the PC's recommendations in its draft report that the Government should significantly increase funding in the ISP, and streamline its processes to expand its reach, at draft recommendations 2.3 – 2.6.

Ensuring an efficient and adequately funded ISP (or alternate program) that meets the needs of children is of high importance to ELACCA members. The ISP builds the capacity and capability of early learning and care services to fully include children with diverse requirements and abilities. The ISP is designed to fund additional educators and services, such as professional training, to build a support system around the child and complement other supports. This work is central to the promise of early learning and care: that it will help each child to meet their full potential as they grow and learn.

Unfortunately, ISP funding has not matched growing demand for the inclusion of children with additional needs and it has not kept pace with the modest increases in the minimum award wage for educators. The ISP must be amended, with adequate and ongoing Government investment, to ensure that the program meets the actual needs of children and families. ELACCA recommends immediate action to ensure adequate support for our most vulnerable children and families:

- Increase the hourly rate for Additional Educators under the ISP, and index annually. The rate must be set to at least a Diploma qualified rate, not Certificate III as currently recommended by the PC at draft recommendation 2.4. The Diploma qualified rate reflects that different skillset required for additional educators, generally due to higher level qualifications and experience.
- Remove cap on weekly hours under the ISP, and fund the required number of hours to support eligible children. A needs-based/demand-driven model would enable services to provide support to children as required.
- Provide greater funding for Inclusion Agencies to support inclusion/trauma capability building. Services are noting an increase in disruptive behaviour and other concerns following the recent pandemic.
- Reduce the administrative burden on services and providers accessing the Inclusion Support Program.

ELACCA notes the review of the ISP completed by Deloitte Access Economics for the Australian Government in September 2023,²⁷ and also the recent NDIS review.²⁸ These reviews provide opportunities for improvements in inclusion support an opportunity for a more cohesive response to ensure all children benefit from early learning and care, regardless of their circumstances. Investment in early childhood intervention specialists must be prioritised by Government. Aligning the ISP and NDIS with state and territory funding and support would enable a more seamless experience for families of children with diagnoses and additional needs.

Recommendation 7

Join up inclusion responses and additional investment for seamless support: Connect Australian, state and territory governments to deliver a seamless response for families and children requiring additional inclusion support through a revised Inclusion Support Program (ISP), working cohesively with the implementation of the NDIS Review.

This should include access to early childhood intervention specialists, Allied Health professionals and system navigation support for families across the whole early learning and care sector.

Recommendation 8

Increase the hourly rate for Additional Educators under the ISP, and index annually: The rate must be set to at least a Diploma qualified rate, not Certificate III as currently recommended by the PC at draft recommendation 2.4.

²⁷ Australian Department of Education, Review of the Inclusion Support Program – Final Report (ISP Review Final Report) (November 2023) <https://www.education.gov.au/early-childhood/resources/inclusion-support-program-review-final-report>

²⁸ Australian Government NDIS Review, Working together to deliver the NDIS (NDIS Review: Final Report) (October 2023) <https://www.ndisreview.gov.au/resources/reports/working-together-deliver-ndis>

Cultural safety in ECEC services [Information request 2.2]

The Commission seeks information on cultural safety in ECEC services for Aboriginal and Torres Strait Islander and culturally and linguistically diverse families and children.

- What factors most effectively promote the provision of culturally safe ECEC?*
- Should there be changes to the National Quality Framework to promote cultural safety and capability, beyond the updated learning frameworks? Would a national cultural competency framework help improve the cultural safety of ECEC services for Aboriginal and Torres Strait Islander families and children?*
- Does the structure of the Inclusion Support Program adequately prioritise and allow provision of culturally safe ECEC in mainstream services? If not, what are the issues and how could these be addressed?*
- Would professional development in cultural capability (draft recommendation 3.6) be adequate to promote inclusion in ECEC services, or are there other components required?*

ELACCA supports building the capacity of early learning and care services to be culturally safe. Families should have confidence when their children are attending early learning and care that they are in a culturally safe environment as a minimum. All children benefit from cultural diversity and acceptance, and a significant proportion of our early learning and care workforce come from non-English speaking backgrounds. This diversity can offer unique cultural perspectives that should be recognised and respected and provides opportunities for two-way learning / cultural exchange – both formal and informal.

ELACCA supports significant and targeted investment in strengthening the early learning and care workforce's ability, knowledge and confidence to infuse Aboriginal and Torres Strait Islander and Culturally and Linguistically Diverse perspectives into the learning program of early learning and care services. Acknowledging cultural safety is a complex landscape, and cultural responsiveness can't be 'taught' through professional development, it calls for a shift in culture and reflective pedagogy and will be an ongoing learning trajectory for most early learning and care services.

There should be ongoing Government investment to support embedding cultural safety, including funded research, ongoing innovative professional development, and extended educator/teacher training course content to ensure for sustained impact. This should be co-designed in partnership with peak bodies within the Aboriginal and Torres Strait Islander (including SNAICC), and Culturally and Linguistically Diverse communities.

The ISP could fulfil this role, but funding is limited, eligibility is narrow and processes are not timely. Inclusion Agencies could be resourced and supported to play an ongoing role in this space.

Aboriginal and Torres Strait Islander children and families

Closing the Gap data and analysis shows that 34.3 per cent of Aboriginal and Torres Strait Islander children commencing school were assessed as being developmentally on track in all five Australian Early Development Census domains.²⁹ Yet Aboriginal and Torres Strait Islander children and families can face explicit and implicit barriers to participating in early learning and care, including challenges associated with costs, location, culture and communication.

Services that successfully engage Aboriginal and Torres Strait Islander children and families are often Aboriginal community-led, and run, and thus delivered in a culturally safe and culturally strong manner. Aboriginal and Torres Strait Islander children and families' early learning and care access and participation can be improved by providing culturally safe learning environments and improving educators' cultural safety and responsiveness through

²⁹ Productivity Commission, Closing the Gap Information Repository <https://www.pc.gov.au/closing-the-gap-data/dashboard/se/outcome-area4> (accessed February 2024)

professional development opportunities. This should include opportunities for extended two-way knowledge exchange working directly with Aboriginal and non-Aboriginal members of the early learning and care workforce.

An annual, one-day training session is not sufficient for building a strong understanding of culture and cultural safety. ELACCA recommends piloting different models, and the sector partnering with philanthropy to develop proof of concept to inform significant Government investment.

The implementation of the PC's draft recommendation 3.6 'Improve pathways and support for Aboriginal and Torres Strait Islander people to obtain ECEC qualifications' would also help support cultural safety for Aboriginal and Torres Strait Islander children.

Culturally and linguistically diverse (CALD) children and families

ELACCA notes that the ISP review highlights the fact that CALD children are missing out, and supports suggested investment in professional development for cultural capability.³⁰

Funded and supported professional development is needed for services to ensure that they are achieving respectful cultural diversity while maintaining access for all children that is safe and appropriate. Investment in professional development should be made in response to Early Years Learning Framework (EYLF) changes.

Changes to the NQF to promote cultural safety and capability

ELACCA welcomes changes to the EYLF V.2, particularly those that strengthen Aboriginal and Torres Strait Islander perspectives. To increase awareness and understanding within the sector, ELACCA supports better communication of these changes to all early learning and care services. ELACCA advocates for increased professional development to support its successful implementation of EYLF V2 changes.

Transition to school statements [Information request 2.4]

The Commission is seeking information on the extent to which transition to school statements are used, their adequacy and whether they contribute to more effective transitions.

ELACCA supports the development of transition statements, aimed as enabling smooth transition from early learning to primary school. However, transition statements in isolation of mutual professional respect and collaboration between the primary schooling sector and the early learning and care sector will fall short of their intent.

ELACCA members believe in the value of statements and the significant investment of time that goes into their development, but this is obviously negated if they are not read by the school – this is largely out of control of early learning and care services, but ELACCA would welcome to the opportunity to work with the school sector to support more effective collaboration and transition.

At a high-level, suggested improvements include:

- Ensuring transition statements are valued and read by early primary school teachers.
- The need to focus on improving consistency, including through investment under reformed PRA.
- Investment in time for early childhood and primary school teachers to meet and discuss individual children's strengths, needs, and effective strategies for supporting their learning and engagement – reflecting the deep expertise of early childhood teachers and the value of their knowledge of individual children for primary teachers.

³⁰ ISP Review Final Report pp 48, 94

The CCCF as a vehicle to address practical barriers to ECEC access [Information request 7.1]

The Commission is seeking information on the appropriateness and responsiveness of the Community Child Care Fund (CCCF) to address practical barriers to ECEC access (such as transport) that families may face.

- *Do CCCF grants adequately and effectively respond to the various practical barriers (such as transport or food provision) that families face in accessing ECEC?*
 - *Is the current frequency (that is, grant rounds every 2–3 years) and funding amount available to services for community-level supports sufficient? If CCCF is not accessed for this purpose, are services receiving funding for this elsewhere?*
- *If the current CCCF does not adequately and effectively respond to these needs, what funding changes are needed? Options could include:*
 - *a more flexible approach through CCCF, with an open pool of funds that could be applied for as needed and available to all services, provided they demonstrated community need in their application*
 - *an expansion of the Inclusion Support Program, where funding could be provided through Innovative Solutions.*

ELACCA recommends a replacement of the Community Child Care Fund (CCCF) that is more responsive, effective and less burdensome for early learning and care providers. Any fund should be accessible across the early learning and care sector and streamline Australian Government and State and territory funding initiatives for seamless universal delivery.

In response to Information Request 9.1 on funding model reform, ELACCA notes that investments in inclusion, accessibility and quality are best made through supply side subsidies. We also note the importance of a needs-based funding model in early learning and care in order to adequately address the higher cost of delivery for some children and in some communities.

The PC draft report positions the CCCF as a vehicle for delivering initiatives that address barriers to access, enable inclusion and sustained participation for all children, and that enables innovations in delivery, such as integrated hubs. However, the CCCF is largely ineffective in its current form as it is too small and piecemeal to address the substantial issues on barriers to access across the early learning and care sector. The accessibility challenges identified by the PC:

- Are not experienced by a small number of children and families – children across the community experience barriers to access, and while these are more intensive in some services, the challenges are widespread.
- It is not a small subset of providers in a defined number of communities that experience higher costs of delivery to provide equitable access and quality for all children.

The CCCF should be replaced with a substantially larger program that is directly tied to the delivery of policy objectives of Government, where need and eligibility is routinely and easily assessed, and resourcing is stable, predictable, and equitably applied.

A model where the application and administration burden is highest for the services with the greatest need and least capacity is not sustainable or effective. For example, the CCCF Special Circumstances grant rounds are for very specific initiatives (eligibility criteria) and often target disadvantaged communities. Maximum funding of \$100,000 over 2 years simply does not support ongoing community needs. State Governments also run programs that target barriers to access and engagement with disengaged communities and families. But again, these are often tied to infrequent grant rounds rather than systemic approaches.

The previous Gonksi reforms and Victoria Government's School Readiness Funding approach³¹ are examples of where a needs-based approach has been operationalised. ELACCA would also welcome consideration of earlier implementation of a resource-based supply side funding model, as recommended in the Deloitte Review of the ISP, to complement the current ISP and support inclusion and inclusive practice for all children. This additional funding stream should be considered for implementation in the next 3-5 years, not in the longer term (5-10 year) timeframe proposed by Deloitte.

There is a role for grants program that promotes innovative or place-based initiatives to address barriers to access. This could be a combination of competitive grants (for innovative projects) and non-competitive grants (directed at identified/targeted need). ELACCA recommends this as a partnership with philanthropy, which is often well-positioned to test and pilot innovative and place-based responses. Proof of concept can then be established before being taken to scale with significant Government investment.

'System navigator' roles in the ECEC sector [Information request 7.2]

The Commission is seeking views from inquiry participants on 'system navigator' roles in the ECEC sector.

- *Are current initiatives to support families experiencing additional barriers to navigating the ECEC system sufficient? Do they require additional information or support to perform this role?*
- *Is there a need for national investment in system navigator roles?*
 - *If so, who would be best placed to perform these roles? Examples could include Inclusion Agencies or contracted delivery by a range of ECEC services, community organisations, local councils or ACCOs.*
 - *How could this be delivered across different groups of families (for example, regional or remote, Aboriginal and Torres Strait Islander and culturally and linguistically diverse families), including ensuring delivery in a culturally sensitive manner?*

ELACCA supports the introduction of system navigators in the early learning and care sector. Current support to navigate the system is patchy, and sufficient support is not readily available for priority cohorts, who we know have the most to gain from access to early learning and care.

Navigator or 'linker' roles are particularly important for families experiencing vulnerability and/or disadvantage, including ACCS eligible families. They can provide much needed support to families to overcome enrolment and access barriers and help reduce the risk of debt due to CCS/ACCS access issues.

ELACCA notes that a 2021 independent evaluation, commissioned by the Paul Ramsay Foundation, found that the use of 'linkers' significantly increased, and sustained, participation in preschool in the Links to Early Learning program.³²

Navigators need the capacity to practice active outreach in communities where participation in early learning and care is lower, and the benefits of early learning and care and/or how to access it are not clearly understood. Respectful engagement to connect with families who could benefit from additional support should be a key feature of system navigator conduct. Conversely, it is important that navigators maintain a strong relationship with networks of providers to understand local conditions, cultural safety, capacity, and capabilities of services.

³¹ Victorian Government Department of Education School Readiness Funding website, <https://www.vic.gov.au/school-readiness-funding> (accessed February 2024)

³² dandolopartners, Links to Early Learning – Public Evaluation Report (October 2021) [Links to Early Learning – evaluation report \(paulramsayfoundation.org.au\)](https://paulramsayfoundation.org.au)

The use of system navigators recognises that the early learning and care system is complex and often hard to navigate. There are barriers can appear too difficult to overcome, and families experiencing vulnerability –whose children have the most to gain from early learning and care – will benefit from someone who helps step them through enrolment, and entitlement processes.

Targeted, national investment in system navigator roles is supported by ELACCA. System navigators are unlikely to be required universally, and may be a time limited role if /when eligibility and access complexity is reduced. Some of the reforms proposed in the PC draft report, including simplifying CCS and ACCS processes, relaxing the activity test and improving communication to families will improve the capacity of families to navigate ‘the system’.

ELACCA recommends that system navigators receive targeted training and have a strong understanding of the early learning and care system, including a recognised early learning and care qualification.

System navigators should have an experience and understanding of the circumstances and/or experiences of the cohorts and communities they are working with. For example, a network of system navigators trained by ACCOs would be most optimal to work with Aboriginal and Torres Strait Islander families, to ensure culturally safe delivery.

Further, culturally and linguistically diverse communities should be supported for navigators with a clear understanding of cultural backgrounds and sensitivities. Access to timely translation services and support should be available to families from non-English speaking backgrounds, including families and children newly arrived in Australia.

Early learning system navigators must be aligned and connected with system navigators introduced in response to the NDIS review.

Flexibility

ELACCA supports the principle of flexible early learning and care that responds to the varied and changing needs of Australian families. This is particularly important to ensure access to children experiencing vulnerability, disadvantage and/or social isolation.

Barriers and potential solutions to providing more flexible sessions of ECEC [Information request 7.3]

The Commission is seeking information on barriers and potential solutions to providing shorter sessions of ECEC that more closely mirror attendance patterns and are less expensive than full-day sessions, particularly in centre-based day care.

Suggestions for ways that unused hours ('air pockets' in the system) might be made available to families who want access to ECEC on an occasional basis are also sought.

ELACCA refutes the existence of 'air pockets' in the system, and also challenges the PC's draft finding 7.5, that "families do not use a significant amount of the early learning and care that they pay for". Many families use long day early learning services to benefit from the flexibility across the hours the centre is open, and can manage changing work and study schedules accordingly.

ELACCA notes that some families may wish to access shorter long day early learning sessions, including to minimise costs. However, shorter length sessions pose significant issues both for providers, and the child's ability to access the service's planned learning program.

Shorter sessions are administratively and industrially complex. Due to the staff ratios required under National Law – of which ELACCA members strongly support – services are unable to be agile to changing numbers of children throughout the day. Further, running dual half and full day sessions within a service would present a significant departure from current operations and negatively impact consistency of care.

ELACCA recognises that in changes to work patterns post-pandemic and increased workplace flexibility for some parents and carers, local demand in some cases *may* push for half day sessions. Any session length less than a half-day session is not feasible for industrial reasons. Consideration could be given to enabling this at a local level with strong opt-in guidelines informed by the sector, rather than introducing wholesale reform. Staffing ratios must be maintained, and resourcing must support this. The learning and wellbeing of children must be at the centre of any policy or operational decisions.

ELACCA is *not* supportive of any move to introduce very short sessions run with hourly fees for families as we do not believe this is in the best interests of the child.

Anecdotally, across ELACCA members there appears limited demand for shorter sessions and non-standard hours in long day early learning. Family day care could be another option for families seeking non-standard hours and/or shorter session lengths.

Availability of occasional care [Information request 7.4]

The Commission is seeking information about the availability of ECEC on an occasional basis.

What barriers, if any, do services face in providing this type of care? How might these be resolved? Are families' needs for this type of care going unmet?

ELACCA members have not identified any significant unmet demand for occasional care.

Occasional care in long day early learning requires careful consideration of wellbeing, for the child and family using the service, and minimising disruption for the cohort of children who are in regular attendance. Continuity of care, and relationship between educator and child is vital to a child's positive wellbeing and development. There is a risk to this in the use of occasional care, if it is not appropriately managed, or resourced with inadequate induction support.

ELACCA notes that there are cases where occasional care may be sought, on an opt-in basis due to local or market circumstances (including existing children enrolled at the service and children with families who are first responders).

The availability of emergency care continues to be supported, where there is a need for vulnerable children – including those with families in contact with justice system/community services – to be care for.

Barriers that must be considered and resolved to provide occasional care include that it can be:

- Problematic for families (especially children) entering a service where there is no existing relationship with children or staff at the service.
- Disruptive for existing children in attendance to have new and potentially unsettled children in attendance.
- Administratively complex, and costly for providers, including ensuring staffing ratios are met.

Strong guidelines could be developed to support or better enable occasional care on an exception basis at service level. Services would need to ensure staff are well-trained and bespoke induction programs are in place to support any incoming children who attend on an occasional basis. Any decision to accept occasional care places must be focused on children's wellbeing as a first principle.

Family daycare could also be considered as a solution to occasional care provision.

As noted in our response to Information Request 7.3, ELACCA challenges the existence of substantial unused 'air pockets' in the system.

Quality

A high-quality early learning and care program is one that is delivered in accordance with the Early Years Learning Framework (EYLF), National Quality Standard (NQS) and Preschool Reform Agreement (PRA), by a qualified and valued workforce.

A feature of high-quality early learning includes adoption and commitment to nationally consistent quality measures, programs and assessment and rating. ELACCA supports maintaining and strengthening the National Quality Framework to ensure timely assessment and rating of services, including:

- all services assessed and rated within a 3-year cycle
- services rated as 'working towards' assessed every 12 months.
- communication to families on the outcome of assessment and ratings of service/s their child attends in compliance with National Law and Regulations.

Families rely on Government to provide safe and high-quality services for vulnerable cohorts including children birth to five years of age. Therefore, for families to be assured that the early learning and care program is consistently high quality, they need to know that their service of choice is regularly assessed and rated within a regular three-year cycle against the NQS. An improved rating and assessment cycle will lift quality more rapidly in conjunction with systemic support for services 'Working Towards' the NQS.

ELACCA supports the role of ACECQA and we continue to back in the National Quality Framework.

Provision of service ratings information for families [Information request 8.1]

The Commission is seeking information on how service ratings information could be made more useful and more accessible to families. For example:

- *requiring services to display ratings information on their website*
- *changing how ratings information is communicated:*
 - *to specify which element/s of the National Quality Standard a service did not meet*
 - *to make clearer what is meant by a rating of Working Towards*
- *requiring services to inform:*
 - *prospective families of their current National Quality Standard rating*
 - *current families of a new National Quality Standard rating.*

Would these changes be desirable, and how would they best be implemented? Are there other options that should be considered?

ELACCA strongly supports better outward facing communication regarding NQS service rating information, particularly to current and prospective families accessing early learning and care. Services should display current ratings information clearly on their website and on physical display within the service.

Ratings, including the outcome and date of assessment should be clearly communicated to families (enrolled and prospective), alongside explanatory advice to support awareness and understanding about what the outcomes mean. The Kinder Tick initiative in Victoria, signifying an approved, Government-funded preschool program is operating within the service is a simple positive example of communicating to families and the community.

ELACCA recommends a renaming of the outcomes, as the terms 'Working Towards' and 'Meeting' don't translate well outside the sector. ELACCA would welcome the opportunity to work with ACECQA to determine more easily understood, and possibly more reflective outcome categories.

ELACCA's support for these changes in communication is conditional on the Assessment and Rating process being reviewed, and improved across jurisdictions, to ensure national consistency and more timely reviews (at least every

three years). Lack of consistency in Assessment and Rating outcomes, across and within justifications has been an ongoing area of concern for ELACCA members.

ELACCA also recommends regular training for Authorised Officers (AOs), in line with our response to draft recommendations 8.1 and 8.3. Our members continue to note inconsistencies among regulators and AOs. Targeted funding to support moderation and ongoing training for AOs is recommended.

Regulatory actions against serial underperformers [Information request 8.2]

The Commission is seeking views about the most appropriate regulatory actions for serial underperformers, while considering the effects on families and children from more severe measures (such as service closure).

Would this be best addressed by additional powers for regulatory authorities, or by regulators making more use of existing powers?

ELACCA supports regulatory action for serial underperforming services, but is cautious about the introduction of hard and fast rules that may have perverse outcomes for the sector. It is important to note that very remote services and/or those operating in underserved markets may need additional scaffolding and support to meet the NQS.

The NQF has existing provisions to address services that do not meet the minimum quality standards, including for two or more consecutive Assessment and Rating rounds. Specific actions taken vary, but typically involve a combination of monitoring, support, and intervention by the state-based regulator. National consistency in responding to this issue would be of value, as currently, state and territory regulatory bodies vary in capacity and approach. ACECQA is well-placed to provide national leadership in this space, working in conjunction with the sector.

Where a service continues to fall below the minimum quality standard after consecutive assessments, additional measures could include:

- imposing conditions on a service approval, that are clearly explained to provide the service with appropriate scaffolding to lift its performance
- directing remedial actions that are clearly explained, with appropriate timeframes.
- in extreme situations that pose a risk to children or staff, a suspension or cancellation of service.

In each of these circumstances, consideration should be given to the impact on families and children if (1) the service is supported to continue, and (2) if the service needs to close.

ELACCA finds that a service receiving three consecutive assessments of 'Working Towards' is not acceptable in a high-quality early learning and care system. Hence, if a service fails to meet the NQS for a third consecutive time, despite scaffolding and support to improve, the regulator should consider serious action including active management, and as a last resort – license cancellation.

Further, as articulated in our response to draft recommendation 8.4, ELACCA believes that a provider unable to demonstrate capacity to operate a high-quality services should be prevented from adding new services.

Support for services to meet the NQS [Information request 8.3]

The Commission is seeking information and evidence about the extent to which services need more support to meet the NQS, and the types of support required.

For example, would the Quality Support Program offered in New South Wales provide the type of support needed by services in other states to meet the NQS?

ELACCA supports the PC working closely with ACECQA to learn about the types of support currently provided and the impact these programs deliver. Uplifting quality across the sector is a key objective of ELACCA and ELACCA members.

ELACCA recommends that the Government commission ACECQA to work with state and territory regulators and the sector to learn about what best practice support looks like, in lifting service performance to meeting the NQS.

The Quality Support Program in NSW referenced in this information request has been in place for 3 years, and ELACCA understands an independent evaluation is demonstrating very positive outcomes, with some services jumping directly from 'Working Towards' to 'Exceeding'. Services that have successfully taken this step could also be incentivised to share their learning with other centres aspiring for similar outcomes.

Scaling excellent practice initiatives like NSW Quality Support Program nationally would be supported by ELACCA.

Governance, planning and coordination

Planning processes and availability of ECEC [Information request 5.2]

The Commission is seeking views on the effects of planning processes on the availability of ECEC.

Are delays, inconsistency or complexity in the development assessment process, or unwarranted rejections of applications for development approval for ECEC centres, posing a barrier to availability?

Where are planning systems working well to support the availability of ECEC services, and how could these efforts be built on or expanded?

ELACCA notes that there are a diversity of views and experiences across our membership regarding planning processes and impact on the availability of early learning and care. ELACCA advocates that the approval of new services should be limited to high-quality providers. We also support efforts to remove delays in the development approval (DA) process, and unwarranted rejections particularly in areas of underserved markets.

The development of a national database on demand and supply of early learning and care, drawn from current state and territory bodies, could greatly assist better planning decisions on the need for new services. This should be including in the increased stewardship remit the PC and ACCC have recommended. Public release of supply and demand data would also help address information asymmetries between different parts of the market.³³ This requires more streamlined and consistent sharing of data between the Commonwealth, states and territories, and local governments.

Effective planning and strong guidelines, across all jurisdictions, would help support:

- Services in thin or underserved markets, usually rural, remote and lower socio-economic areas.
- Areas where services are oversupplied, noting the dynamics of where developers build new centres may have less to do with a need for more places, more to do with than a decent return on a (long term) lease and a good capital gain.
- Avoiding new services opening very close to an existing one, leading to cannibalisation in the market and an overall reduction in the quality of each service as they compete to reduce costs.

Planning considerations for early learning and care premises should be more like the considerations given to the locations of new state schools and much less like the considerations given to retail.

There is also opportunity to strengthen and clarify the role of local government in early learning and care. Drawing on recent research,³⁴ ELACCA notes that in both NSW and Victoria, local government holds four key responsibilities in the early education market: planning, holding data, provider and landlord.

Some local governments take a stronger leadership role proactively seeking to meet changes in demand, prioritising inclusion and access for vulnerable children, integrating maternal and child health and early education services, and providing networks and professional learning opportunities for all local providers. Others play a limited role, with a narrow interpretation of planning responsibilities and/or a small role in direct provision.

³³ dandolopartners, Gowrie Victoria and Gowrie NSW (2022). *Working through the Victorian and NSW early education reforms*. Paper 2 – navigating the constraints on growth. Melbourne.

<https://static1.squarespace.com/static/57b6a412d1758ee9c0f98cd0/t/63926262ba573a1264d5ce1a/1670537830988/Paper+2+-+Navigating+the+constraints+on+growth+-+workforce+and+infrastructure.pdf>

³⁴ dandolopartners, Gowrie Victoria and Gowrie NSW (2022). *Working through the Victorian and NSW early education reforms*. Paper 2 – navigating the constraints on growth. Melbourne.

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Proposed ECEC Commission (info request 9.2)

The Commission is seeking views on:

- *How the proposed ECEC Commission should be structured.*
- *What the scope of its functions should be*
- *Whether it should include the national regulator, the Australian Children's Education and Care Quality Authority*

ELACCA welcomes the PC's interest in opportunities to enable a more focused system stewardship approach in early learning and care, to strengthen how effectively the system operates, and the outcomes it delivers for children and families.

As noted in our response to draft recommendation 9.2, ELACCA members have a diversity of views on the need for, and structure and function of a possible ECEC Commission.

ELACCA neither supports or rejects a Commission, but provides feedback in response to this Information Request, should the PC recommend establishing one in their final report and Government accept that recommendation.

Clarity on what problem is being solved is required, and a need for such a body to be structured and resourced appropriately with sufficient independence to succeed. Any new body needs to be established without duplicating functions of existing bodies, particularly where this is an efficiency for such bodies to be given enhanced funding and remit. As such, a strong cost-benefit analysis is proposed by ELACCA assessing existing roles and functions of bodies and government departments, including the Australian Department of Education, ACECQA and AERO. This analysis should test expanding the remit and power of an existing body, compared with establishing a new one.

Our analysis has identified that there are gaps in the public policy architecture needed to effectively steward a system, especially one as diverse as the early learning and care sector and with responsibilities for policy, funding, delivery / regulation shared across the Federation.

For a dedicated ECEC Commission to effectively address these gaps, it is necessary to understand:

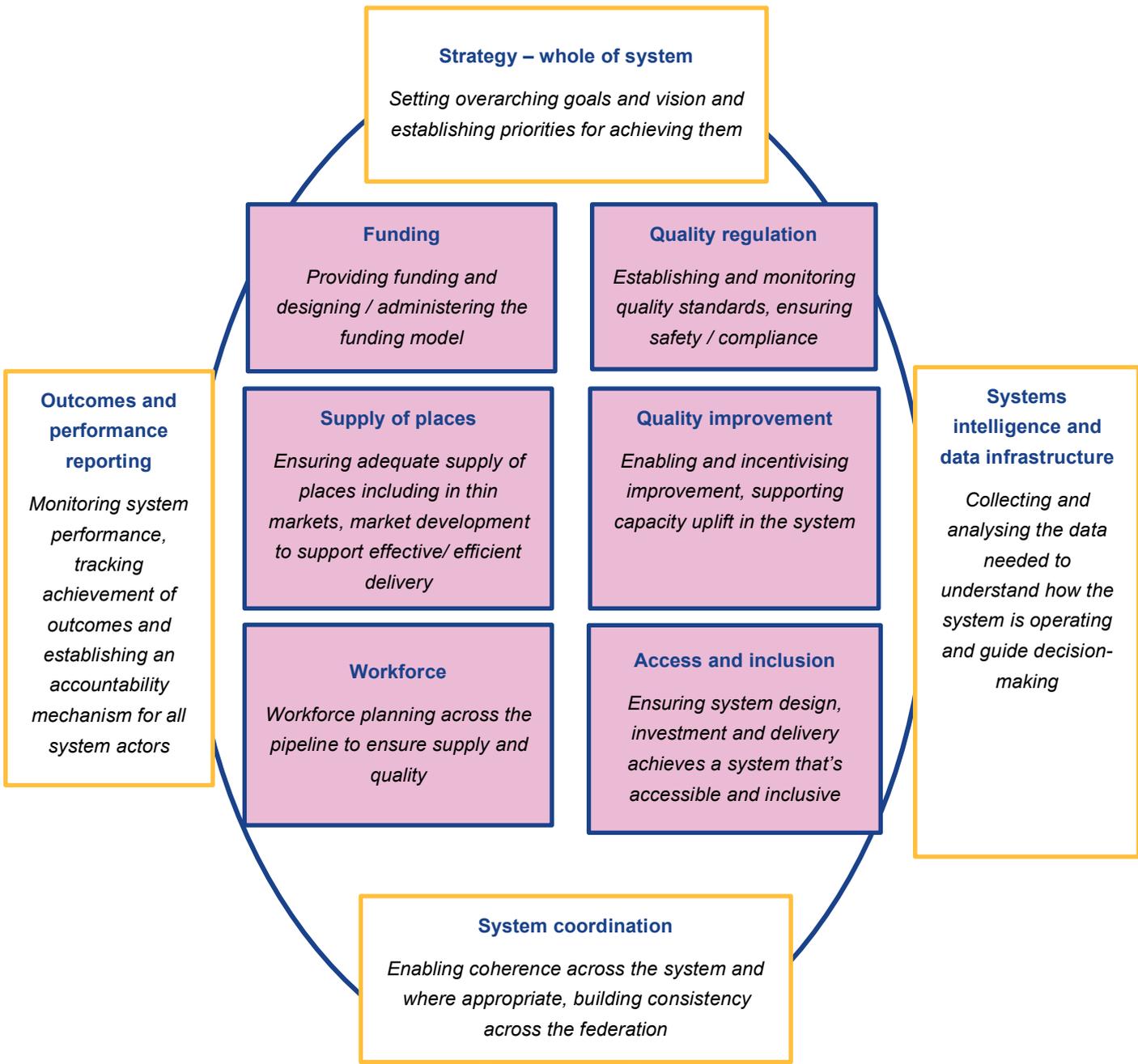
- The specific issues in the system that a Commission would be intended to address;
- What levers, capabilities and governance would be needed to set a Commission up to be effective in addressing those issues; and
- How a Commission would need to interface or engage with other organisations and stakeholders in the system to deliver its intended outcome.

A Commission without a clear purpose or an adequate set of levers risks becoming duplicative, ineffective and a barrier rather than an enabler of a more cohesive, equitable and effective system. In the framing of the proposed Commission in the draft report, it appears to be positioned as a solution to different types of systemic problems – from advising on the location of new services, to providing policy advice on the design of new funding models, to implementing intergovernmental agreements, to holding governments accountable for change and outcomes. An attempt to be 'all things to all people' may compromise and inhibit the intent of a new Commission.

ELACCA has taken a 'first principles' approach to considering the core functions or responsibilities of an effective system stewardship policy architecture, identifying where responsibility for these functions is already held and where there are gaps, and what levers, capabilities and governance would be needed to adequately fill those gaps. The framework includes:

- **Four overarching strategic functions** that collectively help set policy directions and priorities and build accountability for system effectiveness and impact.
- **Six core operational functions** that reflect the necessary 'inputs' into the system (funding, supply, workforce) and what's needed to deliver the core policy goals of quality and equity.

Figure 6: Core architecture for effective system functioning



Design principles that required for a new ECEC body to be effective

Clear purpose	The right levers and capabilities	Appropriate governance
<p>An effective new body would:</p> <ul style="list-style-type: none"> • Have a clear purpose and contained scope, explicitly not trying to be 'everything to everyone' • Not be set up with fundamental tensions between its different objectives, for example not trying to be a neutral, independent and trusted data custodian, as well as being a funder/ decision-maker / agenda-setter • Fill gaps rather than duplicate existing functions, including avoiding setting up a whole new bureaucracy that duplicates or conflicts with established organisations or functions is inefficient and ineffective (i.e. collaborate with rather than incorporate ACECQA) 	<p>An effective new body would:</p> <ul style="list-style-type: none"> • Have appropriate authority and levers to perform its functions. This could include: <ul style="list-style-type: none"> ○ Enabling legislation that established its function and / or independence. ○ Levers that match its function, for example, clear legislative authority to collect and report data from providers and government or funding to enable action. • Have the capability needed to be effective <ul style="list-style-type: none"> ○ Fit-for-purpose technology and systems (for example, the appropriate infrastructure and systems if they are a data holder) ○ Sophisticated technical expertise (in-house expertise in the domains in which they are working, for example, in commercial property arrangements if playing a role in supply) ○ Strong policy capability and sector operational knowledge to enable insight generation. Deep sector expertise – in both policy-making and service operations – is needed to ensure the Commission is relevant and fit-for-purpose. 	<p>An effective new body would need to have the governance and authority to deliver its intended outcomes. For example:</p> <ul style="list-style-type: none"> • If it's essential for the Commission to be independent, neutral and trusted by all stakeholders (across government and in the sector), its governance needs to secure its independence. <ul style="list-style-type: none"> ○ There are existing Commonwealth data agencies that play this role (i.e. ABS, AIHW) – and their independence is enabled by legislation and governance • If the Commission is a coordinating body driving a national approach or shared action across the jurisdictions, it needs to have strong intergovernmental mechanisms <ul style="list-style-type: none"> ○ There are models of joint ownership between the Commonwealth and States and Territories (ESA, ACECQA, AERO) – this approach is appropriate for enabling coordinated action and collaboration but is less effective at establishing independence or accountability • If the Commission is expected to drive action or solve specific problems, it needs access to the right levers <ul style="list-style-type: none"> ○ If the actions require changes to the core funding models for early learning and care, it may not make sense for them to be the responsibility of an external agency that may influence but not be responsible for funding decisions.

Our analysis identifies key gaps across the architecture required for effective system stewardship, and spaces where explicit responsibility and accountability would be beneficial. These include:

- Reporting on system outcomes and performance, supported by an effective data infrastructure, to support accountability, price monitoring and transparency, identification of priority issues, and enhanced understanding of the scope / nature / drivers of key systemic issues.

- Supply of places, including visibility of where there is misalignment between supply and demand and clear responsibility for taking action to use the range of levers available to government to address supply gaps.
- Investments in quality improvement, noting that while there is a comprehensive system and clear responsibility for articulating and monitoring quality standards, support for improving quality is patchy and inconsistent.
- Planning for workforce, maintaining data and building pipeline, wages (outside current MEB process).
- Overall system strategy and cohesion, noting that while there are existing mechanisms they have not always been as effective as desirable.

These gaps could potentially be filled by a Commission but may be more appropriately addressed elsewhere.

We also note and support the ACCC's recommendation for Government to take an explicit stewardship role in the early learning and care system. We suggest that stewardship cannot be outsourced to an independent body; the agencies that hold the key funding and policy levers must also play their part as system stewards.

Should an ECEC Commission be recommended by the PC, ELACCA advocates for sector representation on its governing board.

Recommendation 9

ELACCA recommends substantial cost benefit analyses undertaken by the PC before recommending the establishment of a new ECEC Commission to Government.

Conclusion

ELACCA appreciates the opportunity to provide feedback in response to that information requests and draft recommendations in the PC's draft report, and looks forward to the opportunity to talk to these at our Public Hearing.

Further, we would be happy to host a consultation session with Commissioners and our CEOs to share their insights in greater detail.

For further information, or to arrange a consultation session, please contact:

Elizabeth Death, Chief Executive Officer –
ELACCA

or

Sally Maddison, Policy Manager – ELACCA

Thank you for considering our submission.



Early Learning
& Care Council
of Australia

elacca.org.au