

Productivity Commission Submission

Early Education & Care - accessible, equitable, affordable, and high-quality

Issues paper - Review of early childhood education and care - May 2023

Introduction

We welcome the opportunity to provide input into this inquiry.

Nearly 50 years ago, Waverley Council in the eastern suburbs of Sydney was one of the first councils to work in partnership with the community to plan, coordinate, fund and deliver children's services. Over decades, Council has pursued a strong social justice agenda and invested in social and affordable housing, services for people with disability and support for vulnerable communities. This legacy has endured, and Council is committed to deliver on measures that improve the affordability, accessibility and quality of early childhood education and care (ECEC).

Waverley Council's services delivered by 70 permanent staff to approximately 400 local families include:

- Provision and management of 230 places in four Early Education Centres (EEC) and 239 places in Family Day Care (FDC) for children 0-5 (3 x exceeding; 2 x meeting rating national quality assessment).
- High quality & accessible early education and care services, supporting working families through extended hours Preschool & Early Education program.
- 8 work-based places for staff.
- Online wait list as well as priority wait list for children with additional needs and /or high family support issues.
- Specialist Family support services delivered with grant support from Department of Communities and Justice
- Holiday Program during Christmas holiday break.
- Children's services RAP endorsed by Nurragunnwali, Dharawal language program supported by Gujaga Foundation & intergenerational program supported by UNSW.
- Incursions/excursions.
- Inclusion support (Disability Discrimination Act 1992) – children with additional needs are being supported by referrals to health specialists including for successful transition to school.

Apart from local government as provider of affordable and accessible care, Council can also stimulate and enhance provision of diverse care options through its grant programs and subsidies to eligible organisations under its community tenancy policy. Three types of children's services have been supported by Waverley Council in this way.

The current challenges affecting the early childhood sector have impacted Council significantly. We value our staff and believe Council's work culture and employment conditions help attract and retain staff. Post COVID, however, services are struggling to absorb the impacts of significant sector shortages. This and other budget pressures makes the provision of quality care at a price families can afford extremely difficult.

Council advocates for:

- Increased sector funding for better wages and conditions to increase supply of ECEC educators.
- Better access to ECEC via equitable funding support to providers, so that services are better able to support workforce participation; struggling families; families with children who have additional needs; and young infants under 2.
- Improved coordination, planning and support of services offering affordable ECEC for families.
- A unified system that supports universal access to quality education and care.

Accessible, equitable, high-quality services

Given the diversity of family types, household stage/formation and often culturally determined individual preferences, providing Australian families with choices over the education and care environment is very important and enshrined in some of the principles guiding the development of early childhood services. Unfortunately, the history of changing government policies that regulate status, funding and assessment of services have resulted in significant inequities between service types. These are notable in relation to whether a service is delivered by local government, community based or commercial/for profit and determines the extent to which funding and government support can be accessed.

Historically, despite great popularity particularly with families with very young children, FDC has always struggled to have its status recognised so it can participate on a level playing field with other providers. The withdrawal some years ago of the federal government's community support program funding, which had provided Waverley FDC with annual operational subsidy payments has exacerbated this. Following the COVID-19 pandemic, FDC is faced with serious viability challenges which limit accessibility and choice for families.

The re-introduction of government support, targeted to assist properly screened and monitored FDC providers in their delivery of quality programs, would increase access and choice for families.

Key features of local government FDC programs

FDC delivered by local councils offer locally focused, fully regulated, affordable and well-managed services:

- High quality care is supported by qualified, experienced, and well-resourced coordination staff whose capacity to oversee compliance and regulatory requirements is strengthened by strong organisational governance.
- FDC offers choice to families, filling existing gaps caused by high demand in our local communities. Children aged 0-3 years, for example, and children with additional needs due to family preference or suitability of small group size 1 adult:4 children ratio.

Waverley FDC has consistently provided more under 2s care than all the four EECs combined over the last three years.

- During Covid-19 pandemic FDC was sought by essential/front line workers due to small groups, flexible hours and days. Waverley FDC operated at capacity through both lockdown periods and had minimal Covid closures.
- Waitlist demands for the 0-3 age group are once again high across metropolitan areas, as a direct result of the current sector staffing challenges. This, coupled with funding incentives favouring preschool age children, has resulted in a reduction of 0-2 rooms in (mainly) private early childhood provider settings as this age group have a higher staff:child ratio and is more expensive to run.

Waverley Council FDC have supported gaps through the placement of very young children (under 12months).

Barriers to access, equity, and inclusion

1. FDC inequities

- FDC is not supported through similar funding opportunities accessed by Long Day Care (LDC). FDC services are not eligible for Start Strong funding (3-year trial, preschool funding and fee relief) and the Child Care Subsidy (CCS) hourly rate cap to families is lower for FDC (FDC's rate is \$11.80, compared to \$12.74 in LDC).
- Loss of operational funding in 2015/6 (Community Support Programme - Family Day Care) caused impacts to viability and sustainability of FDC, resulting in the closure of some not for profit and local government services.
- Privatisation of FDC has reduced quality and caused reputational damage to the FDC model. Successfully prosecuted cases where fraud or corruption has been substantiated are captured through the Australian Government Child Care Enforcement Action Register. Concerned about the serious consequence of malpractice and non-compliance, NSW government has intervened and closed several private services in the last 18 months.
- Cost of living relief and business funding opportunities are not accessible to FDC educators. Significant increases well above CPI of private rentals in the eastern suburbs (reported by some services to be as high as 30%) has had a direct impact on the viability of FDC. This is a distressing, well documented situation in many parts of Australia, affecting essential workers everywhere. The escalating rentals costs and reduced availability of private rentals due to the impact in tourist areas of short-term accommodation (e.g., Airbnb) makes finding a suitable home challenging and impacts on the cost of FDC.

Parent feedback

"I'm very pleased to have sent my child to Family Day Care - very reassuring framework. Keep up the great work that you do!"

"While we would pay what we need to pay to be at our FDC (as we love it), it seems quite expensive when compared to other day care options when speaking to friends."

2. Provider cost

Staffing is by far the single largest expenditure for services. The steeply rising cost of care partially due to increased labour costs have placed pressures on providers, including local government. The cost burden includes high overheads, significant regulatory and reporting requirements, risk, safety and compliance actions, complex administration and assessment/rating procedures, lack of government funding to support capital renewal and insufficient offsets in areas of high cost of land/leases in metropolitan residential suburbs.

Increasing capital and operational cost has resulted in budget shortfalls made worse by the impacts of the Pandemic. Waverley Council is committed to supporting local families and has kept fees fair and reasonable during the economic downturn and beyond. This is having significant impacts on the long-term viability of Council's children's services.

Both the Federal and state governments have recently implemented reforms aimed at families to help with the cost of care. This is important but does not assist service providers to recruit/retain staff, increase wages, and fund essential infrastructure supports. Unless the two levels of government commit to serious reform of the sector and remove structural barriers, sustained access to quality and affordable ECEC will not be achieved.

All levels of government need to play a role. The March 2023 Senate Select Committee Final Report on Work and Care recommends the Department of Prime Minister and Cabinet consider the operation of markets in the aged, disability and ECEC sectors and the effectiveness of current models of provision (including profit and not-for-profit models) in delivering quality care. Central to the Committee's considerations (p172) is:

A universal, high quality ECEC system

8.20 The committee heard that Australian ECEC costs, as a share of family income, are among the highest in the developed world. This is actively disincentivising working parents from accessing ECEC and is prohibiting women who want to work, or work more, from participating in paid employment and progressing their career.

8.21 The evidence to this committee shows that there is a clear and compelling case for the implementation of a universal, high-quality, child-centred and community-based ECEC system. Such a system would support both the positive development of children in their first five years, and also help working carers to better engage with ongoing, fulfilling employment, and, importantly,

8.24 A more affordable ECEC system would reduce incentives in the for-profit childcare sector to focus only on those geographic areas where the largest profits can be made, with inadequate consideration given to quality service provision and staff remuneration.

3. Inclusion

Some of the barriers in early education and care services relating to inclusion include:

- Post COVID high demand/increased need for placement and inclusion support of children with additional needs related to poor socialisation, and poor access to health services during COVID and ongoing long wait lists for specialist intervention.

- Without appropriate support, our workforce, already experiencing significant stressors, is challenged in their ability to support inclusion.
- Successful inclusion requires consistency and continuity of trained educators – this is difficult for services to invest in and maintain due to workforce shortages.
- Skilled and trained educators who would support inclusion is difficult to achieve within existing time and ratio constraints, staff turnover for training and professional development.
- The Inclusion Support Program (ISP) aids with eligible early education services to address barriers to inclusion under the Inclusion Development Fund (IDF). IDF funding covers a proportion of wages for an additional staff member to support inclusion, however, does not cover full costs which need to be covered by the service. This has led to many services not providing this level of support to the families in their care.

We therefore welcome the recommendation made in the final report of the Senate Select Committee on Work and Care:

- *that the Australian Government request the Productivity Commission to immediately review the Inclusion Support Program and consider appropriate action including, but not limited to the commitment of additional funding of the program, with a view to provide extra support to children who have additional needs to participate in ECEC. Indexation of funding should also be considered (Recommendation 7, March 2023).*

4. 0-3 age group

Importance of accessibility

The demand for education and care services for children 0-3 has outstripped supply for many years now. While there are many providers in the Eastern suburbs, there often is a mismatch between the needs of families (under 2's; additional needs; affordable) and what the market can offer.

- High community demand – 337 'active' families with children 0-3 are currently on Council's waitlist. As services are at capacity, this will be a long wait.
- Lack of places reduces opportunities for women to return to the work force – gender equality, workforce participation, national economic growth, participation, and support of Waverley's local workforce and more generally, productivity.
- Quality care, interactions and family support that focuses on child attachment theory through continuity of skilled and trained educators particularly in the first three years is crucial. This is described in the First 2000 Days Framework (NSW Health): "emotional development begins early in life, that is a critical aspect of the development of the overall brain architecture, and it has enormous consequences over the course of a lifetime".
- Provision of adequate access results in better outcomes related to early intervention and inclusion support for families.

Factors causing supply shortages 0-3 age group

- Cost – no operational funding (Start Strong funding not available for this age group), higher ratio's = higher staffing costs and consumables.
- Staff shortages – some educators are reluctant to work in the infants' room due to additional physical workload and the potential for increased injury.

- The closing of Under 2s rooms in metro centre-based services, as staff ratio costs are higher to keep open.
- Strong focus on 3 to 5 has overlooked the importance on provision of places for 0-3s and the impact this is having by keeping a large proportion of women out of the workforce.
- No operational funding for Local Government FDC: Educators having to leave due to high costs of rent, and other operational expenses absorbed by FDC educators. This means that this important 'gap filler' for the 0-3 age group is in decline.

5. Start Strong Preschool Program in Long Day Care

Waverley Council's comprehensive preschool program is fully integrated into the service and delivers as benefits:

- ✓ Extended hours 7:30am to 6pm, open 49 weeks of the year, siblings can be accommodated in the same service, supporting convenience, and lowering cost/travel time for working families.
- ✓ Qualified, experienced teachers, NESAs accredited.
- ✓ Education programs – Dharawal Language, PALS, intergenerational, etc
- ✓ School readiness and transition to school: developmental outcomes through quality services by qualified early childhood teacher has achieved better outcomes for school transition and ongoing success in learning.

Challenges for services

- Family/community perception that preschool programs can only be delivered in a dedicated standalone preschool setting.
- Families who move children from LDC to separate preschool create utilisation gaps in the 3 to 5 age group for LDC.
- More government supported community information/education is required to support Preschool in a LDC setting.

Affordability of services

Many factors come into play when families make choices over which services to enrol in. For families working to a limited budget, cost is a determining factor, particularly when cost of living pressures and changing labour markets post COVID are beginning to impact on affordability considerations. How families judge if a service is affordable is difficult to ascertain and varies from family to family. Individual preference may well mean a family is prepared to sacrifice other household expenditure if it means they can access a centre of their choice.

Annual surveys have indicated families place importance on qualified staff, low turnover, community connections, natural outdoor environments and nurturing, inclusive education, and care settings that value diversity and individual differences.

Utilisation patterns in early education centres are reported to be lower across the board as families adapt and adjust to more flexible 'working from home' and hybrid environments where that is possible.

Families have told us that they appreciate Council providing high quality education and care at a price point many say they can afford. There are also families whose individual circumstances have changed

and who have commented on successive fee increases they believe have made our services unaffordable for them.

Parent feedback

“It's expensive! But that is childcare in general, not just your services.”

“All childcare fees are high in Australia, but I appreciate Waverley's are relatively good for the service provided in the area.”

“Childcare should be free.... but this should come from a government level. Thank you for keeping your fees competitive.”

“Fees are in line with other services in the area but has caused some budgeting challenges for a family whose income has been affected by a self-employed mother because of COVID also the birth of our child last month.”

“They've increased substantially since we started at the centre 2.5 years ago (almost \$40/day).”

“The fees are at the lower end so happy with them.”

“We are given plenty of notice when they were being increased.”

Important factors when comparing the cost of care

Consideration of factors would include:

- The CCS percentage is a national average daily fee limit, not based on the total cost of care. All families will have an out of pocket 'Gap Fee'. Depending on the location and type of service, these gap fees can be significant out of pocket costs and impact on families judging a service to be affordable.
- Families often consider convenience as important– close to home or work and this can influence their assessment of 'affordable care'. Most families attending Waverley Council services live in Waverley or neighbouring areas – this helps deliver on Council's organisational sustainability goals as we have many families walking to their services.
- Quality of relationships, both within the services and in the broader context of community connections.
- Satisfaction with the service environment: their child is happy and cared for. Their progress with learning & development milestones is evident. Families feel engaged and included and are encouraged to provide feedback on all facets of the service.
- Quality of education and care: Local government is often recognised as providing higher quality care than other providers and this is documented in rating information comparing different types of services (ACECQA NQF Snapshot Q1 2023 – 51% state/territory and local government managed – rated exceeding compared to 15% of private for profit). Waverley Council's five services include three 'Exceeding' and two 'Meeting' National Quality Standards
- National assessment and rating system: Council supports a robust and rigorous rating system that provide good information and education to families about the quality of any of the services they may choose to access. However, the current system is seen to be inconsistent

and subjective, heavily influenced by the views, experience or perspective of the assessor which can have detrimental impacts on the service.

Parent feedback

“If it doesn't cost the council, it should expand its offering in different locations. So many parents are sending their kids to terrible for-profit centres in the area and I'm sure would love a community option.”

“Fees are cheaper than private centres, excellent food is provided, and the staffing is excellent and more stable.”

- Quality of staff – qualifications, experience, professional development, low turnover – level of confidence and professionalism.
- Lower staff turnover - Local Government services are reported to have lower staff turnover than private services – educator continuity three years plus is shown to have positive impact on children
- Governance and Leadership & Safety – robust governance systems and in-built access to supporting infrastructure local government provides has created confidence in families accessing the service.
- Facilities – upkeep, cleanliness, resources, presentation, provisions.

Waverley Council's fees for its early childhood services are competitive and support accessibility for families, however staffing costs and increased capital and operational costs including maintenance and upkeep have created additional budget pressures.

Supply of services

There is great inconsistency across the sector and no uniform approach to planning and measuring supply of services across regions.

- Supply of services is measured by utilisation rates, waitlists, parent feedback, id./census demographic data, parent/community surveys.
- The cost of land and high development costs plays impacts on supply, and cost of care
- Consistent measurements should be applied (eg at LGA level), supported by good population and usage data to enable better planning.
- Working families, cost, and school readiness/transition are drivers of service.
- Inclusions integrated into the cost of care, e.g., meals, nappies, incursions/excursions.

Investment in a professional early childhood workforce

- Traineeship pathways are a positive entry into the early education and care sector as the trainee learns on the job while studying for their qualification at TAFE. However, improvements need to be made to the level of support trainees receive, for example support to services to fund mentoring the trainee.
- Federal and state governments need to work together in support of a review of the wages and conditions of the early education and care sector. This would deliver wages and conditions in

line with the qualification level, expectations, and contributions of the sector to economic growth and workforce participation.

- Similarly, more support is needed to ensure quality, accredited, professional development for early education and care staff. Achieving quality education outcomes takes time - fast tracking or cutting corners to complete qualifications quickly will not result in quality outcomes.

Factors that cause supply shortages in the sector

- Workforce shortages in past 18 months cause impact on service continuity and quality – educators leaving the sector due to pay and conditions not equating to demands of the work.
- There is tension between staffing ratio and quality provision: staffing requirements for quality require staff to be covered for programming, professional development and training, inclusion.
- High staff turnover reduced continuity of care and reduced confidence in service.
- Cost and staffing are a concern to any provider considering service expansion.
- In a fast-changing environment with different utilisation patterns emerging, consideration of supporting different types of services that support greater flexibility may be of benefit. For example, FDC and Occasional Care are options that can be scaled up or down in response to the need of parents choosing to work from home who are looking for service adaptability.

Qualifications

Qualifications and experience have direct links to positive outcomes for children (Siraj et. al., 2023)

- Quality of educators at recruitment is not always of the standard required – this is due to fast tracking qualifications; some educators are entering the workplace with a Master teaching degree in Early Education but little practical skills or knowledge. This places additional stress on qualified experienced educators at a Diploma level who may be earning less than the new staff member they are mentoring.
- Unregulated RTOs where qualifications are expedited has resulted in a poor-quality workforce, TAFE previously offered excellent training for early education but funding cuts to TAFE have meant that students have looked elsewhere for flexible RTOs who have lower expectations.
- Traineeship programs are not well run and again there is little support from the RTOs to support the trainee, meaning that all the pressure is back on the service to mentor, train and guide the trainee. There is no incentive for services or salary support for the time consideration of mentoring the funding for this goes directly to the RTO.

Provider costs, revenue & quality

Operational costs of services

- Staffing costs and building repairs/upkeep (particularly where the facilities/assets are ageing) are the most challenging costs for providers.
- More than 80% of costs relate to staffing (salaries, casuals, agency staff, professional development, oncosts)

- Administration costs, including navigating systems are now much higher, resulting in more complicated and labour-intensive processes and increased staff responsibilities. The expansion of the Child Care Subsidy (CCS) system was put in place to replace operational funding which previously went directly to service providers rather than to parents. Added to current complexities are Start Strong and Inclusion Support funding streams.
- Consistent feedback from families indicates that the current CCS system is confusing and difficult to navigate and access their legitimate entitlements. There is no doubt the money spent on mitigating the risks associated to poor or illegal practices could cover the return of operational support to Local Government and not for profit services.
- Operational funding needs to be reflective of service model and fees charged. Privatisation of services has had a detrimental impact on early education and care and resulted in structural imbalances and lack of oversight and planning as market are strong where profit is to be made. The impact of increasing privatisation of the early education sector has been commented on in research and various inquiries. According to ACECQA and based on provider management type, 51% are private for-profit and 33% are private not-for-profit services. A further 11% are managed by state or local governments and 4% by non-government schools ([ACECQA, Q4 2022](#)).
- Private providers tend to charge higher fees, often cutting costs to minimum requirements, when the actual quality of education and care would not result in the best outcomes for children. However, these providers receive the same government funding as not for profit community based and local government services. This is not an equitable model. Access to education and care should be universally available and not exploited by profit making businesses and shareholders with little concern for quality.
- These inequities were brought into stark focus during the Pandemic. Despite significant demand for essential services during Covid lockdowns, many large private providers were reported to have closed rooms or services. Yet these providers still received federal funding through Jobkeeper aimed at retaining staff. Local government were ineligible to receive this support, yet all our EEC services remained open and FDC operated at capacity taking on new families who were working at our local hospitals and medical facilities.
- The findings of several federal and state government reviews of early childhood and the factors impacting on services, including one NSW Coroner's report, have not comprehensively been addressed. Many believe that as a sector we are at a crisis point.

Management of costs and revenue

As not for profit services within local government, there is great variance in the way councils manage costs and revenue and how children's services are reflected in pricing policy and fees.

Waverley Council's pricing policy describes early education centres service where fees are set to enable full cost recovery. Historically, due to the different service model and associated community benefit, the fees set for FDC services aim to make a partial contribution toward the total cost of providing the service.

As already described earlier, Council has a strong commitment to social cohesion and continues to invest in community health and wellbeing outcomes. Council has absorbed many of the service disruptions and resulting budget impacts of the recent past.

Within the broader context of financial sustainability, Council revenue has continued to decline in line with reduced economic activity while simultaneously being called upon to provide rate, fee and rent relief as part of support to local business and the community. Children's services have remained open throughout the Pandemic with Council supporting fee waivers and fee relief measures despite the lack of government assistance available to other providers. Budget shortfalls are a concern for Waverley Council as it aims to contain operating expenditure within operating income. Inflationary pressures, the impact of staff shortages and increasing cost burden on services will remain a significant challenge, particularly if service affordability and accessibility are to be achieved.

Historically, while various issues have impacted on cost increases, it is widely acknowledged that the single most important factor was the result of privatisation and the inequities emerging from that. For example, the removal of operational subsidy from Family Day Care has caused a significant structural imbalance which despite amalgamation with another program has not been able to be absorbed by Council. FDC is a model Council is currently reviewing due to concerns about long term viability. This will likely limit choice and accessibility of flexible, high quality care options for families.

We consistently operate at regulatory level to ensure quality outcomes of education and care for young children and their families and to meet our governance responsibilities. The ratings under the National Quality Framework for our EECs and FDC service reflect the quality standards expected within our community. Quality care and education is expensive. If universal, equitable access is to be achieved, government investment at federal and state levels – funding, planning, coordination, evaluation - will have to be improved.