

Submission to the Productivity Commission's inquiry into the early childhood education and care sector

G8 Education Ltd

19 May 2023

Executive summary

We welcome the opportunity to contribute to this important inquiry into the Early Childhood Education and Care (ECEC) sector. G8 Education Ltd (**G8**) is a leading sector provider who supports over 42,000 children a week in early learning centres and in their homes through early childhood education, early intervention and disability services. This provides us with a unique perspective to support the Productivity Commission with the development of its recommendations to address the inquiry objectives.

G8 is a passionate advocate for the sector. It is very clear that the first five years of a child's life is a period of rapid growth and development and establishes the foundations for life-long learning, well-being and health. The sector is a key part of our social infrastructure (alongside later schooling) that supports each child reach their full potential. We earnestly hope that the outcomes from the inquiry continue to support the community's growing awareness of the critical importance of the sector to the social and economic fabric of Australia. Further, that it promotes greater appreciation and recognition of the essential role that educators and teachers perform to professionally deliver high quality learning and care for children during their critical formative years.

We have developed four key recommendations for further consideration by the Productivity Commission:

1. Implement actions that will help to further alleviate the immediate shortage of Early Childhood Teachers (ECTs).
2. Create a supportive environment to encourage employers to contribute to the funding of the sector.
3. Create more flexible access to education and care for children with complex needs.
4. Continuously seek to harmonise operating practices across States/Territories to create efficiencies for government and sector service providers.

We have deliberately focussed on those recommendations that we consider:

- represent strong opportunities to improve affordability and access for families to high quality ECEC, thereby enabling greater workforce participation (particularly for the primary carer);
- will improve outcomes for families and children experiencing disability;
- offer a sustainable solution to the current acute shortage of ECTs in the sector; and
- will not increase funding requirements of Federal, State and Territory governments beyond their current commitments.

In addition to the above four key recommendations, G8 is supportive of collaborative efforts to improve accessibility, affordability and inclusion for all families. We join with sector bodies and other providers calling for:

- Provision of universal access to high quality learning and care for all children, including to those who are either hard to reach, disadvantaged or vulnerable in some way.
- Government funding for an increase in educator wages, as part of the solution to resolve workforces shortages, in a way that will not result in overwhelming cost being passed onto families or providers and to continued collaboration and alignment between governments, sector bodies and providers to sustainably address the current acute workforce shortage.
- Continued improvement and harmonisation of policies, systems and processes interfacing between governments, regulators, providers and families, to realise efficiencies, reduce complexity and to make it easy for families of young children to access all support required.
- Safe collection of timely data to inform further policy and funding decisions and to measure the social and economic impact of sector activity.

Further detail is provided on our four key recommendations in the remaining sections of this report. We hope that these prove valuable to the Productivity Commission to develop meaningful and actionable recommendations to sustainably provide affordable and high quality ECEC for all children to support their learning, development and wellbeing during their critically important early years.

Recommendations

1. Implement actions that will help to further alleviate the immediate shortage of Early Childhood Teachers (ECTs)

We recommend:

- Each State/Territory creates a casual pool of ECTs to temporarily fill a critical shortage at a qualifying ECEC service.
- Creating flexibility over the composition of the team delivering preschool and kindergarten programs in a fully supported manner to reduce in-room ECT funded requirements.
- Harmonising State approaches to teacher registration/accreditation to support transferability of ECTs interstate in line with the Australian Children's Education and Care Quality Authority (ACECQA) Workforce Strategy.

Background and rationale

Existing shortage

The level of ECT vacancies is growing. Jobs and Skills Australia's latest release of the count of online job vacancies revealed that the rolling three-month average ECT vacancies at the end of March 2023 was 2,352, representing a 30.8% increase compared to the position in March 2022. The growing rate of vacancies reflects several factors, including:

- High levels of ECTs leaving the sector. At a whole-of-sector level, based on recent research reports and G8's own observations, the leading contributing factors appear to be insufficient recognition and reward, wellbeing concerns and lack of career pathways; and
- Low and decreasing numbers of students completing their ECEC related degree.

Demand for more ECTs

It is welcoming to witness an increased understanding of child development, professionalisation of the early childhood workforce, longitudinal research highlighting the sustained benefits and return on investment of ECEC, and widespread advocacy. Collectively these factors are continuing to inform sector reforms. A clear reform theme that has emerged as a result is the extension of universal access to preschool or kindergarten programs to include both 4-year-old and 3-year-old children in Victoria from 2022, New South Wales from 2023, small pilots in Queensland from 2023, a Royal Commission in South Australia and initial discussions in Western Australia.

G8 is a strong advocate and supporter of these reforms. A consequence of extending preschool and kindergarten is the need for more ECTs to support delivering these programs. While fantastic for those seeking to join the sector in a teaching capacity, these developments require a greater supply of ECTs in an environment where an acute shortage of ECTs already exists, creating further stresses for the sector already under strain.

Addressing the shortage

In 2022 ACECQA released *Shaping Our Future: A ten-year strategy to ensure a sustainable, high-quality children's education and care workforce 2022-2031*. We consider the focus areas are the right ones and that successful execution of the related actions will deliver a sustainable workforce, including ECTs over the longer term.

There are also a number of State based ECT initiatives being pursued currently ranging from financial incentives to support degree studies, retention activities and relocation to teach in regional areas which also help to support fixing the shortage.

We applaud all these efforts which collectively aim to sustainably solve the ECT shortage. We note, however, that many of the initiatives and actions will deliver their targeted outcomes over the medium to longer term. We consider there is a need and opportunity to implement initiatives and actions that would potentially produce relatively quick outcomes to help alleviate the immediate shortage of ECTs. We propose that the following opportunities are worth further exploration:

- 1. Each State/Territory creates a casual pool of ECTs to temporarily fill a critical shortage at a qualifying ECEC service.** Potential casual or relief ECTs would submit an application to the State's teacher recruitment pool and, if suitably qualified, would be added to their teacher relief or short-term contract register. The State would then allocate ECTs to qualifying ECEC service providers with a critical shortage matching the casual ECTs location and teaching preferences. This proposal creates an option to allow ECTs who want to work casually to continue to participate in the sector and, similarly, provides a different pathway for an ECT who previously left the sector to re-join through a trial experience. Allowing the State to control the allocation and matching of ECTs to relevant relief positions enables them to be deployed to meet the most urgent and beneficial cases. The State's involvement will help to ensure that all service provider types will have equal access to the proposed short-term support. While the definition of a "qualifying ECEC service with a critical ECT shortage" needs to be progressed this is potentially founded in a scenario where the lack of an ECT is resulting in the temporary closure of preschool/kindergarten rooms and, accordingly, a number of children are unable to access the program. The cost of the relief ECT would be reimbursed by the ECEC service provider creating a near cost neutral position for State governments beyond the operation of the scheme.
- 2. Creating flexibility over the composition of the team delivering preschool and kindergarten programs in a fully supported manner to reduce in-room ECT requirements.** Presently, State funding for preschool and kindergarten is only available for ECTs directly teaching the program. No funding is available for ECT time spent outside of the classroom. There is an opportunity to extend funding across each of the State schemes to fund outside class time for the service provider's nominated Educational Leader (who would be a fully qualified ECT under this proposal). This in turn promotes the possibility of other team members being deployed to deliver the teaching program in a manner supported by the Educational Leader through overseeing program development and mentoring/support services. Additionally, including other team members in the room with a broader mix of skills, allows the opportunity to more fully meet the learning and development needs of each child.

ACECQA's [Quality improvement research report](#) highlighted that quality uplift improves through having Educational Leaders that are qualified ECTs. This also offers additional opportunities for the career progression many ECTs are seeking but are limited due to required funding hours of kindergarten/program delivery.

Potential other roles to participate in the classroom could include:

- Studying towards ECTs.
- Experienced diploma qualified educators. This would also assist in elevating the educational element of their role to extend a career pathway and to address any divide between teachers and the educators through more closely working together.
- Other specialists with relevant backgrounds that can valuably contribute to the delivery of the program in the room for certain periods of time and to attend to any specialist needs of the children, e.g. health professionals, disability support specialists etc. A percentage of overall staff requirements could be met by additional professionals providing more opportunities for transdisciplinary practice delivery.

Under this proposal, the eligibility criteria for the allocation of State funding for preschool and kindergarten programs would be expanded beyond ECTs teaching in rooms to include activities of ECT qualified Educational Leaders and all cohorts teaching in the classroom. This would be contained, however, to keep overall costs within current funding commitments. An ECT informing program delivery across a centre would offer additional quality uplift opportunities together with spending time delivering a program.

- 3. Harmonise State approaches to teacher registration/accreditation to support transferability of ECTs interstate.** There are differing approaches between States to teacher registration/accreditation. In NSW, VIC, SA, and WA ECT registration/accreditation is mandatory, whereas in QLD it is only available for those teachers who hold a birth-8 or a birth-12 years qualification and work with 4-year-old children. Birth-8 years and birth-12-years teaching qualifications are recognised across all states and birth-5-years qualification is only officially recognised in NSW and Victoria. Significant complexities arise due to the different state-based approaches to ECT registration/accreditation which can lead to devastating financial and emotional impacts on ECTs. In some cases, teachers have had to return to study once they discover that they are unable to teach due to registration/accreditation requirements. Failure to have a registered/accredited ECTs employed at an ECEC service where it is mandatory can result in fines from the teacher registration/accreditation boards, assessment and rating implications, and non-compliance with funding requirements. The harmonisation of teacher registration/accreditation approaches across all States/Territories would address the noted risks and facilitate the transferability of ECTs between States who relocate for family, lifestyle or other reasons.

Teacher Registration/Accreditation is a critical component for teacher professional identity and being recognised as part of this profession by society more broadly. This then has links to pay equity across teaching professions. National recognition of birth-5 degrees for registration/accreditation across all states would ease current pressures across the workforce.

2. Create a supportive environment to encourage employers to contribute to the funding of the sector

We recommend:

- Exempting employer contributions towards an employee's ECEC costs from Fringe Benefit Tax (**FBT**); and
- Halving the employee's gross family entitlement to the Child Care Subsidy (**CCS**) when their employer contributes to their out-of-pocket ECEC costs.

Under this model, the proposed FBT exemption would only be available to employers paying the employee's full gap fee (and after the proposed reduction to the CCS entitlement) and would not be available under an arrangement where the employee salary sacrifices the gap fee costs.

Background and rationale

Context

The beneficiaries of better access to high quality early learning and care are:

- children, whose early years development is critical to lifelong outcomes;
- families, both socially and economically;
- the broader public interest in an Australia with better social skills and education; and
- businesses, through the ability of a parent to return to work earlier than otherwise.

Currently families and government carry the burden of ECEC costs. We believe it is worth the Productivity Commission considering how much more of a contribution business could make, if incentivised to do so, as a beneficiary of the ECEC sector.

Rising costs

The costs of operating ECEC services are expected to materially rise in the future, driven by several factors:

- The need for a substantive and permanent increase in wages for educators and teachers as a key element to help solve the current acute workforce shortage. This will more fairly compensate them for the highly valued role they perform, while also helping to offset a key gap in the employment proposition in comparison to teaching and care roles in other sectors;
- The expected expansion of preschool and kindergarten education programs to all children aged three years and over, across all States and Territories, will require further teachers to implement the programs and a corresponding increase in employment costs;
- Property lease costs are expected to increase given a range of factors, including increased construction costs and heightened sector demand; and
- A relatively high inflationary environment over the near-term that will cause the cost of consumables and other goods to support the provision of services to also increase.

We have highlighted a deliberate focus on sector costs because it is an area we understand deeply (and perhaps better than most other parties) and because, importantly, it is what drives fees. There is at times an under-appreciation of costs in a broader environment where the sector and public policy aspire to produce ever higher quality outcomes for parents and children.

Current FBT deterrent and proposed solution to encourage business contribution

The current FBT rules are considered a significant deterrent to an employer making a contribution to an employee's ECEC costs. The operational effect of the FBT regime effectively doubles the upfront cost of fees (refer to the table below). Further, the employee's family are deemed to be ineligible to receive the CCS. We understand that very few employers are currently paying for employees' ECEC costs and, as a result, the corresponding quantum of FBT collected is negligible. We are of the view that the current framework, which essentially doubles fees and erodes CCS entitlements, makes employer contributions unattractive for all parties.

The recommendation is designed to make it more attractive to employers to pay selected employees ECEC costs (as a new attraction and retention element of their employee benefits), while also creating a CCS saving for the Government. Further, the recommendation attempts to address the perceived weakness of past suggestions to unilaterally provide a FBT exemption for employer payment of employee ECEC fees, including through salary sacrificing, which was considered to only benefit higher income earners.

Financial analysis

The following table explores the gross cash costs under the proposed recommendation assuming the higher CCS to be introduced from 10 July 2023 and an average gross daily ECEC fee of \$140 for a 10-hour session (implying a gap fee element of \$12.60).

Gross cash cost under current FBT regime

Employer	
Employee daily ECEC fee	\$ 140.00
FBT liability	
Taxable value of fringe benefit - daily fee	\$ 140.00
Gross-up rate	2.0802
Fringe benefit taxable amount	\$ 291.23
FBT rate	47%
FBT payable	\$ 136.88
Total gross cash cost to employer	\$ 276.88

Gross cash cost under proposed recommendation

Family income scenario	\$ 75,000	\$ 100,000	\$ 120,000	\$ 150,000	\$ 175,000	\$ 200,000	\$ 250,000
Full CCS entitlement (post 10 July 2023)	90%	86%	82%	76%	71%	66%	56%
Employer contribution							
Daily fee	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00
Less CCS entitlement							
Less gap fee (>\$12.74/hour)	\$ (12.60)	\$ (12.60)	\$ (12.60)	\$ (12.60)	\$ (12.60)	\$ (12.60)	\$ (12.60)
Fee eligible for CCS	\$ 127.40	\$ 127.40	\$ 127.40	\$ 127.40	\$ 127.40	\$ 127.40	\$ 127.40
Full entitlement	\$ 114.66	\$ 109.56	\$ 104.47	\$ 96.82	\$ 90.45	\$ 84.08	\$ 71.34
Add-back reduction to entitlement	\$ (57.33)	\$ (54.78)	\$ (52.23)	\$ (48.41)	\$ (45.23)	\$ (42.04)	\$ (35.67)
CCS entitlement	\$ 57.33	\$ 54.78	\$ 52.23	\$ 48.41	\$ 45.23	\$ 42.04	\$ 35.67
Total gross cash cost to employer	\$ 82.67	\$ 85.22	\$ 87.77	\$ 91.59	\$ 94.77	\$ 97.96	\$ 104.33
Government CCS saving	\$ 57.33	\$ 54.78	\$ 52.23	\$ 48.41	\$ 45.23	\$ 42.04	\$ 35.67

Benefits and outcomes

We consider key stakeholder groups will benefit under the proposed recommendation as follows:

Stakeholder	Benefits
Children/families/employees	<ul style="list-style-type: none"> • Supports more children to participate in early childhood education • Significantly improved affordability for those employees benefitting from the arrangement • Enables greater workforce participation, particularly for the primary carer
Employer	<ul style="list-style-type: none"> • Creates an additional attraction/retention element for employees • Supports increased wellbeing and support for employees through an important family stage • Creates the opportunity to establish alliances with ECEC providers at competitive fee rates
Government	<ul style="list-style-type: none"> • Reduces CCS costs, creating opportunity for savings to be reinvested in the sector to both provide additional support where required and to alleviate other cost pressures (including potentially subsidising increased educator and teacher salaries)
ECEC service providers	<ul style="list-style-type: none"> • Enhances family affordability to support demand for services • Creates opportunity to establish alliances with employer groups that will support maintaining occupancy levels and entering locations where services are otherwise not financially viable

3. More flexible access to education and care for children with complex needs

We recommend:

- Clarifying the assessment process in relation to inclusion support programs, including who needs to perform the assessment and the steps involved in the process;
- Enabling NDIS participants to use their NDIS budget towards accessing early childhood education and care where inclusion support or other funding is unable to provide the participant with equal access to that of their peers;
- Providing training to NDIS Local Area Coordinators to enable clear and consistent information to be provided to participants and their families; and
- Providing a simple one stop shop for parents of children with complex needs, as well as third parties supporting such families, to gain access to information about the NDIS and Inclusion Support Program (ISP).

Importantly, the proposed recommendations are not about increasing NDIS and ISP costs and are intended to simplify families’ access to existing funding.

Background and rationale

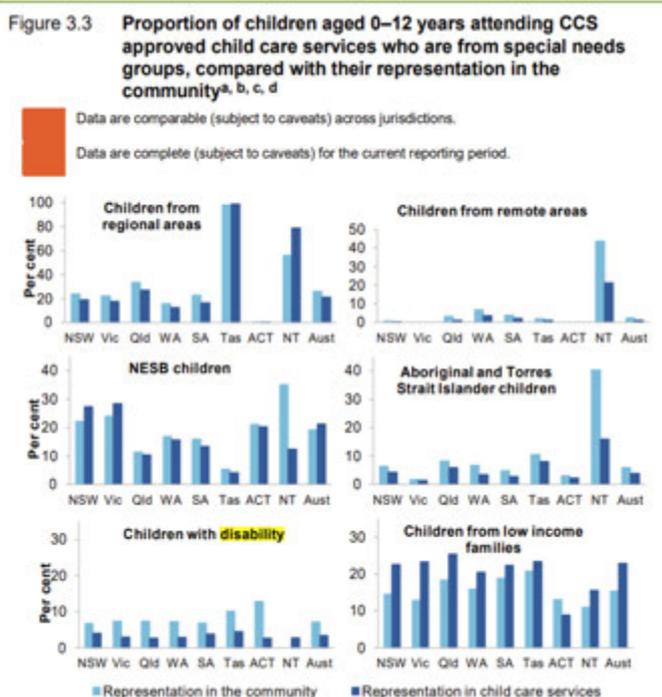
In Australia, children with disabilities and complex needs are often an underserved group in need of high quality early education and care. According to the Productivity Commission, children with a disability in Australia are not accessing preschool programs in the year before school at the same rate as their peers – see Figure 1 below.¹

This is despite general agreement around the importance of high quality early education and care services to support the developmental outcomes of children with disability/complex needs.

Figure 1

According to Early Childhood Australia, the inclusion of children with disability and complex needs in early learning and care services is very important on a number of counts, including children’s educational outcomes, their wellbeing, human rights and their families’ ability to participate in the workforce.

A study from the US-based Urban Institute found that children with disabilities and complex needs reap substantial benefits from high quality care, but they require services and supports matched to their particular needs to realise the full developmental benefits that such settings can provide. This is particularly the case for low-income families, who face the cumulative burdens of poverty and material hardship in addition to the



¹ [Section 3 Early Childhood Education and Care - Report on Government Services 2020 \(pc.gov.au\)](https://www.pc.gov.au/reports/indicators/early-childhood-education-and-care-2020)

developmental and health challenges associated with a child's disability.²

G8 Education supports the Australian Government's ISP and its mission to build the capacity and capability of early learning services to fully include children with disability. We also welcomed the broadening of access to the ISP in 2020, which increased eligibility for children with particularly challenging behaviours (including those experiencing trauma). We further welcomed the decision taken at the Mid-Year Economic and Fiscal Outlook 2021-22 to provide an additional \$73.9 million to extend the ISP to ensure that more children with additional needs receive the support they need.

While this funding injection is strongly welcomed, we remained concerned that funding for children with complex needs in early education settings remains unable to match the growth in demand. Additionally, the critical shortage of qualified disability support staff – due in large part to the significant competition for qualified staff across the disability, aged care and ECEC sectors – remains an ongoing concern.

G8 supports the NDIS' early childhood approach to support best practice in early childhood early intervention. Under the current system, however, support is split across the NDIS and the Department of Education. For kindergartens/preschools, this occurs across the NDIS and their State or Territory Departments of Education. The sharing of service delivery results in too many families falling between the cracks where children are unable to use their NDIS support packages in conjunction with the ISP in early childhood education and care settings. This gap in service delivery causes children with disability to receive unequal access to quality education compared to their peers, placing at risk their developmental outcomes and inhibiting their opportunity for effective, holistic early intervention that is weaved into their educational program.

A participant's NDIS funding has already been allocated and budgeted for by the Government. A relatively simple change to the NDIS' Operational Guidelines would release these funds to give children with complex needs the opportunities they are currently missing out on, while enhancing their educational outcomes, without any requirement for additional federal funding. We recommend that low level reforms be undertaken to enhance access to early childhood education by allowing NDIS participants to use their funding for the above items, where other forms of funding fall short.

We have an opportunity to address the challenges and obstacles identified to support the sector's capacity to offer high quality education and care for children with complex needs. Our recommendations identify ways in which barriers to inclusion can be removed for this cohort of children who are often engaging in early intervention as part of their preschool programs, which has been proven to reduce their chances of becoming reliant on additional supports on a long term basis.

We welcome the review of the current ISP which whilst operating successfully in some pockets, is not meeting the needs of children, families and centre teams across the nation. The paperwork and system is arduous to complete and with shortages of ECEC workforce, team often seek funding for an additional educator when really needing additional supports with qualified allied health professionals. Restrictions on ISP professional learning that once existed has created a deficit in skill build of educators and teachers and whilst Innovative Solutions can be accessed, the process is timely and arduous for a workforce that needs more timely supports. This is also contributing to burnout and staff leaving the sector. A more comprehensive systems-based approach is needed between education, health, child protection, housing, Aboriginal and Torres Strait Islander owned organisations and disability to truly support access and participation of children and provide the supports for ECEC workforce to respond to the complexity of meeting children's needs. The recent COVID-19 pandemic has also created learning disruptions for children which require additional supports in the early years. There are cohorts of families that also

²https://www.urban.org/sites/default/files/publication/99146/insights_on_access_to_quality_child_care_for_children_with_disabilities_and_special_needs_1.pdf

choose or are not able to access funding, leaving centres in challenging situations where children need additional supports however family permission is not granted or families do not meet funding parameters due to citizenship or other requirements.

4. Continuously seek to harmonise operating practices across States to create efficiencies for Government and service providers

We recommend:

- Making data and reporting requirements the same across each State and to utilise the same technology platform for all practical purposes.
- Creating commonality of operation of the Reportable Conduct Scheme.

Background and rationale

As a national provider, G8 has a unique view into the operating practices of the sector across each of the States/Territories and to the connections and interactions with the respective government authorities. G8 Education supports the continuation of the National Quality Framework with review of consistency of delivery and expectations across different states and territories.

We are all striving to operate more effectively and efficiently to support the delivery of high-quality learning and care to children. As ever, there is always more that can be completed through continuous improvement to create further efficiencies across the sector. Their achievement and resulting cost savings will create additional funding to be invested by both the Government and sector service providers to support the delivery of high quality learning and care and to lesson pressures to increase fees to families.

We have identified some potential areas of efficiencies to be realised. Broadly the overall improvement theme that surrounds them is focussed on achieving further harmonisation of the application of existing regulatory and compliance frameworks between States and the adoption of the same technology platforms. In addition to the efficiency/cost saving benefits they create, they also enable families to move seamlessly between service providers and interstate to continue their participation in the ECEC sector.

Services across Australia that cannot attract or retain a qualified ECT often miss out on receiving funding which in turn penalises the outcomes for children. For example, a centre that has an ECT receives yearly funding to deliver a quality program. A centre that consistently struggles to employ an ECT yet still provides a program for kindergarten/preschool children receives far less. Whilst G8 acknowledges and supports the significance of the role played by ECTs in quality, it is challenging that centres repeatedly miss out on funding due to this criteria yet children are still in attendance. This connects with [Recommendation 1](#), where more flexible delivery and overall program input of an ECT could deliver more broader outcomes across a centre or clusters of centres.

G8 would like to highlight the following State Government owned areas where potential strong efficiencies could be realised:

1. Making data and reporting requirements the same across each State and to utilise the same technology platform for all practical purposes, including:

- Funding for preschool, kindergarten and other supports.
- Capturing immunisation status.
- Transition to primary school statements.

A clear additional benefit of pursuing this objective is that it aligns with creating a single data repository of all relevant information that can follow the child between providers and support organisations as well as interstate and into the primary school system. Such a system provides information to safeguard children.

2. Creating commonality of operation of the Reportable Conduct Scheme, including:

- Creating a robust definition of the type of incident that must be reported and, therefore, by default those that do not need to be.
- Reducing the number of instances the same incident is notified to different bodies, e.g. all incidents could be centrally reported to the Department of Education who can then forward to other State departments as required.

About G8 Education

From our beginnings as a family owned and operated company with 30 early learning centres in 2007, G8 Education has grown to become one of Australia's largest providers of early childhood education and care with more than 430 centres across Australia, including an NDIS and In Home Care division, Leor.

With a clear purpose of creating the foundations for learning for life, we are committed to becoming the leading provider of quality early childhood education and care in Australia.

Together we are one team of 9,500 dedicated, passionate and supportive team members, educating and caring for over 42,000 children in any given week. Each child we educate and care for in our centres is a valued and unique individual, nurtured and inspired to be the very best they can be.

At G8 we believe we have a real opportunity to provide a differentiated offer to our families, centred on the quality of education and care, breadth of offer and through the provision of a highly engaging experience for our families.

We also believe that we have the opportunity to provide a market-leading employment offer, with our engaged and capable team members reinforcing the quality and experience for our families.