



**Australian  
Childcare Alliance**

Representing the future of Australia's children

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Submission to the  
**Productivity Commission Review**  
into  
**Childcare & Early Childhood Learning**

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February 2014

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New South Wales and Australian Capital Territory  
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# 1 Executive Summary

The Australian Childcare Alliance (ACA) congratulates the Australian Government on calling for a Productivity Commission Inquiry into Childcare and Early Childhood Learning.

We welcome the Australian Government's desire to address the needs of Australian families and their children who rely heavily on a quality, affordable, accessible and sustainable environment in which their children will thrive, learn and be safe.

Research has proven that support for this important cohort of young Australians will reap enormous rewards - economic, familial and social for our country now and long into the future.

ACA trusts that the information gathered through this submission will inform the Productivity Commission of the most advantageous way forward to build a sustainable ECEC environment that is focused, first and foremost, on outcomes for children.

Female participation in the workforce is recognised, respected and valued in the community. As practitioners, we understand the challenges of families juggling their work-life balance combined with concern that their children are receiving high quality early childhood education and care (ECEC) programs.

Children that participate in quality ECEC programs are better equipped to handle the demands of formal education than those who had no access to quality early learning programs. This head start follows them into their teens and beyond.

ACA shares the government's concern for children from vulnerable and disadvantaged backgrounds. We believe that these children must be given every opportunity to succeed and participate in early learning and care programs to assist them to commence school as confident young learners.

Every child is valuable and ACA, with the assistance of our Membership, have provided this submission with the value of the child as foremost consideration in any recommendations.

High quality early learning services underpin the entire workforce. ACA supports the COAG National Quality Framework (NQF) reforms and continues to encourage the sector to provide superior care through these reforms. The deep and ongoing concerns of child care providers is the parent's ability to maintain workforce participation whilst meeting the increased costs incurred as a result of implementing the NQF reforms. We do not believe that families can afford any additional cost as a result of these reforms as they are already struggling with the rising cost of living.

The Australian Government has stated that reforms to the funding model must remain within the existing funding envelope. ACA calls on the Australian Government to reassess this position and inject further additional funding to ensure that families and their children are no longer placed under the stress of weighing up workforce participation against the already eroded fee subsidies. We are concerned that if measures and safeguards are not put in place to immediately address the affordability issue, these families and their children will be priced out of quality early learning programs altogether.

Whilst ACA cannot determine a more cost efficient model of ECEC subsidies and funding into the future as part of this submission, we agree that the discussion must be commenced and that all stakeholders must be open to ideas and proposals. However, ACA holds strongly the opinion that whatever funding model is determined, no family can be worse off and the model must be sustainable well into the future.

ACA strongly supports a formal, regulated and quality assessed sector. Our member concerns with the current Assessment and Rating (A&R) system are expressed throughout this document. The A&R system is inefficient and fails to provide stakeholders and the community with true and accurate outcomes of the quality provision of ECEC across the sectors. ACA submits in this document an



alternative model of A&R that we believe will engage educators more comprehensively whilst achieving high quality outcomes for children.

ACA has concerns that an informal sector is being considered under this review. ACA believes that taxpayer funded programs that do not provide educational content, personal and social development leading towards successful transition to formal schooling would undermine the intent of the NQF. Qualified educators working in the approved, regulated sector will feel undervalued should less qualified staff be approved to provide ECEC services.

As part of this submission, ACA commissioned Urban Economics to undertake an analysis of costs and affordability for families with the results supplied as an attachment to this submission. It reinforces our view that the immediate steps need to be taken to address the cost impost of the NQF and the affordability concerns of families.

We commit this submission for your consideration and look forward to working with you to determine a positive way forward that will benefit children and their families, the sectors and taxpayers.

Gwynn Bridge  
President  
Australian Childcare Alliance

## 2 Recommendations

### Implementation of the NQF

It is recommended that:

1. The responsibility of quality assurance is transferred to a national authority under the leadership of the Australian Government.
2. The responsibility of regulation is devolved to State and Territory Governments to enable a more coherent and practical servicing of the needs of local communities.
3. The existing Assessment and Rating model is suspended immediately due to sustainability of the system and the inability of jurisdictions to apply a consistent model and replaced immediately with compliance visits to ensure that all services are monitored.
4. That a new Assessment and Rating system be developed, in conjunction with the sector, that focuses on increased levels of autonomy, reduced burden on services and government and deliver timely and accurate information to parents on the quality of the sector.
5. A program of training and development is implemented by Australian Children's Education and Care Quality Authority (ACECQA) to support nationally endorsed learning frameworks to improve outcomes for children.
6. ACECQA provide best practice direction to the sector on all quality areas with respect to the National Quality Standards.

### Viability

It is recommended that:

7. The Australian Government address the inequitable taxation status of not-for-profit providers by excluding the provision of childcare as an acceptable activity under Deductible Gift Recipients (DGR) status.
8. Alternative levers are considered to facilitate better planning within the ECEC sector including eligibility for Government funding of new services where communities are at-risk of oversupply.
9. The Australian Government's inequitably low funding of the 0-3 age groups is increased to assist with meeting demand.
10. A dedicated *Planning Advisory Committee* is established by the Australian Government to strategically monitor supply and demand nationally and is replicated in each state with ECEC relevant sector representation.
11. The *Planning Advisory Committee* is responsible for working with all levels of Government and the ECEC sector to establish common principles and criteria for assessing supply and demand, building on current practice.
12. The Australian Government advises other relevant Government agencies where appropriate, should there be concern regarding over supply.

### Demand for Childcare

It is recommend that under the current funding system:

13. The Australian Government alleviates the affordability burden of Australian families as a priority in the 2014-15 Federal Budget to address the devaluation in government subsidies to families over the past decade and the underestimated costs of early childhood reform.
14. That all levels of Government urgently address NQF cost pressures by deferring staff to child ratios changes until government has budgeted for increased funding to families during the scheduled period of implementation.
15. A model to provide free or no cost access to ECEC services is developed for children from vulnerable families including generational welfare families.
16. The Australian Government considers all potential funding models, including tax deductibility, on the principle of families being 'no worse off' than existing funding arrangements.



17. Taxation reform is considered to implement a more equitable employer sponsored childcare model by providing the employees of all businesses with salary sacrifice options (without fringe benefit implications) for use of childcare of their own choice.
18. Improve flexibility by extending the length of time that families can access Child Care Benefit hours.
19. The Australian Government only considers the extension of flexible models of care that are in-scope of the National Quality Framework.
20. That all levels of government consider outcomes for children before any determination to extend the school day and does so in consultation with the Outside School Hours Care (OSHC) sector and others.
21. All levels of government engage in considerable debate with the sectors, families and the wider community prior to allocating taxpayer funds to an additional informal care sector, for example nannies/au pair's.

### **Workforce Issues**

It is recommended that:

22. *Regulation 242 – Persons taken to be early childhood teachers*, which ceases on 1 January 2016, be extended until a time when the supply of suitably quality early childhood improves.
23. *Regulation 134 (b)* relating to a second early childhood teacher in attendance be rescinded and no longer considered a priority.
24. Practitioners, together with academics and government, should play a role in the design and delivery of future ECEC policy reform.
25. Stricter controls on RTO's are implemented to ensure that students and the sector are benefitting from funding by supporting students to be knowledgeable and capable to enter the ECEC sector as well as ensuring value for money on government investment.
26. A comprehensive audit of all registered training organisations, conducted by the Australian Skills Quality Authority (ASQA) in conjunction with the sector, to determine existing practice alignment to the quality aspirations of the national quality reform agenda.
27. A review of the approach to recognition of prior learning, in an early childhood context, be conducted with a greater emphasis on outcomes not expediency.
28. Funding considerations into the future take into account the results of the *Equal Remuneration Order* currently before Fair Work Australia.

### **Vulnerable and Disadvantaged Families**

It is recommended that:

29. The Australian Government maintains the *Special Child Care Benefit* with a more flexible timeline and the *Grandparent Special Childcare Benefit* as a specific purpose subsidy.
30. A targeted *early intervention subsidy* is implemented to fully fund the ECEC fees of disadvantaged and vulnerable children, with funding ongoing until a child starts school, administered via CCMS.
31. The Australian Government works with the sector to develop the eligibility criteria for an early intervention subsidy, targeting Indigenous, culturally and linguistically diverse, refugees, parents with mental illness and families who are experiencing generational welfare issues.
32. The Australian Government restore affordable funding for families receiving *JET Childcare Fee Assistance Program*.
33. The Inclusion Support Subsidy Program is reviewed to:
  - I. Increase the ISS subsidy and pay the actual wage of the support worker;
  - II. Increase the subsidy hours to cover the child's time in the ECEC setting;
  - III. Ensure that services with children with high needs are able to access support staff who are qualified in special needs care.
  - IV. Attach funding to the child in need and ensure that it is continuous and portable should the family relocate;
  - V. Remove the existing cap of five hours per day for inclusion support to enable all children to participate in an approved ECEC program;

- VI. Address the need for all children to have received a medical diagnosis for the child to be approved for ISS to ensure that all children can effectively participate in ECEC as early as possible;
  - VII. Develop specific strategies to progress the ECEC Workforce with specialist inclusion support skillsets;
  - VIII. Undertake consultation with the sector to develop and design a system of enhancement to current program prior to changing any program guidelines;
  - IX. Provide a backup program to support services to work with families who are not willing to have a child assessed; and
  - X. Encourage the schools to engage with the ECEC sector to transition the information on each child's development without being in breach of the Privacy Act.
34. The Australian Government acts immediately on the Commission's recommendations in Chapter 9 of the Early Childhood Development Workforce Report including a program review.

### **Role of Government**

It is recommended that:

- 35. A comprehensive research project and financial modelling is conducted to determine cost/benefit of investment in ECEC, economic impact of increased workforce participation and the impact on national productivity through improved developmental outcomes of future working Australians.
- 36. The Australian Government should increase public expenditure on childcare services recognising the inability of the existing funding allocation to meet the needs of Australian families.
- 37. The Standing Council on School Education and Early Childhood (including associated Working Groups) consider improvements to future governance arrangements, including:
  - I. a more timely way for the Standing Council (and supporting working groups) to address regulatory burden and dedicated public sector resources to enact changes;
  - II. a detailed mapping of the roles and responsibilities of each jurisdiction is completed and made publicly available to address existing transparency and overlapping responsibility issues;
  - III. separating the role of the regulatory authorities in each jurisdiction from influence over the future policy and deregulation initiatives;
  - IV. the ability to receive submissions or advice directly from the sector as a collective on matters of significance; and
  - V. a revised approach across jurisdictions to achieve greater national consistency without reaching the 'lowest common denominator (that is, consensus is replaced with a majority agreement principle).
- 38. A comprehensive review of the purpose and functions of ACECQA including redirecting effort to a focus on quality improvement at the practitioner level.
- 39. The Australian Government implement more stringent oversight on future national partnerships to ensure funding delivers the intended outcomes for families in all jurisdictions.
- 40. The National Standards and National Regulations are decoupled due to the extensive subjectivity of NQS.
- 41. The requirement for Certified Supervisor certificates and other regulatory burden identified be removed from the regulatory process immediately.



### 3 Implementation of the National Quality Framework

The Australian Childcare Alliance (ACA) supports the intent of the National Quality Framework (NQF), in particular the desire to drive continuous improvement and consistency in Australian education and care services, however it will only ever be successful if implemented consistently, administered equitably and funded adequately.

It is difficult to assess at the current time whether the intent of the NQF has resulted in continuous improvement and attained the desired outcomes for children as only approximately only 25 per cent of services have been assessed under the Assessment and Rating (A&R) process nationally.

ACA was always concerned at the cost implications for families. We believe that these families have now moved into an affordability crisis as the roll out of the NQF continues and fees rise to meet the ever-increasing demands.

However, as referenced repeatedly throughout this submission, whilst certain aspects of the NQF are being implemented transparently and consistently, there are examples where aspects that have been, and continue to be, implemented inconsistently across jurisdictions. ACA and State and Territory Associations have repeatedly raised these concerns, as well as suggested solutions, with jurisdictions and the national authority to ensure that families and services can have confidence in the NQF.

The NQF, introduced on 1 January 2012, was ambitious legislation. Engaging eight states and territories and four diverse sectors in the reform journey was a significant task and all stakeholders should be applauded for the true spirit in which implementation has progressed.

ACA has identified areas where there is overlap, red tape, inconsistencies and a lack of clarity with the current system whilst providing suggestions on how we believe the ECEC system in Australia could be streamlined, efficient and more functional. The ultimate outcome should be what is best for children in their most vulnerable and important years.

The introduction of the NQF has encouraged all stakeholders to view early childhood education and care (ECEC) in a different paradigm. Whilst the NQF has brought benefit to ECEC for Australian children, there are some aspects that have detracted from the intent, which must be addressed.

Approved Providers and educators welcomed the Early Years Learning Framework (EYLF). It has provided explanatory guidance as educators move from a teacher, theme and focus-led program to a child initiated, play-based, early learning format. Through the EYLF, outcomes are identified and the principles of early childhood learning underpin high quality practice. The EYLF is a valuable document that would have met the needs of educators, children and families in conjunction with state regulations without the additional costs of the NQF.

Whilst there was some funding allocated to the training of educators in the EYLF, the practical, hands on approach in training was missing.

Educators who previously struggled with the academic instructional approach now, after a few years of implementation, are progressing well. However there are educators who are still struggling with implementation as Registered Training Organisations (RTOs) and Universities were slow to introduce appropriate and practical instruction on the EYLF and the National Quality Standards (NQS). New entrants to the sector will continue to require support.

The implementation of the NQF was hurried and improperly imposed upon the sector. The legislation was passed in October 2011 and implemented on 1 January 2012. There was no period of grace permitted for studying, disseminating and comprehending the *Education and Care Services National Law 2010*, *Education and Care Services National Regulations 2011* and the NQS.



As part of the implementation, services were then assessed through the NQS Assessment and Rating (A&R) Process commencing in July 2012, just six months after the introduction of significant reform. ACA does not accept that the speed of implementation of this Law and Regulation, resulting in a stressed and fragmented workforce, was justified or necessary.

Services are struggling under the financial costs of the implementation of the NQF in particular costs related to increases in staffing requirements and increased paperwork. Ratio requirements from 1 January 2016 will have the biggest impact on increased cost to families. Consolidation or amalgamation to reduce costs to drive economies of scale is not an option for smaller services and many Approved Providers have increased their own workload in an effort to keep costs from rising further for their families.

### 3.1 Outcomes for Children

ACA believes that the implementation of the EYLF has substantially improved outcomes for children across Australia. Moving to a child initiated early learning framework has enabled children to take more ownership of their play. When an educator has sound understanding and embraces the intent of the framework, combining intentional teaching, scaffolding, research, evaluation, reflection and discussion, the outcome is positive for all.

ACA Members have reported that when children are working on projects, ideas, games etc. that they are particularly interested in, behaviour and all areas of development are enriched.

ACA notes that parents are beginning to embrace the early learning aspects of their child's day and recognise that when their child is attending an ECEC service their knowledge, vocabulary and social skills are enhanced.

As reported in the AEDI 2012 Summary Report (page 11)<sup>1</sup>:

*The majority of children are doing well on each of the five developmental domains of the AEDI: physical health and wellbeing, social competence, emotional maturity, language and cognitive skills (school-based) and communication skills and general knowledge.*

*There are children in Australia who are developmentally vulnerable as they enter school:*

- 23.5 per cent of Australian children are developmentally vulnerable on one or more of the AEDI domain/s.
- 11.8 per cent of Australian children are developmentally vulnerable on two or more of the AEDI domains.

This research reinforces the importance of early intervention for children who are attending ECEC services. 64.7 per cent of children are doing well in each of the five developmental areas. 35.3 per cent of children require substantial assistance to ensure that any identified areas in need of early intervention are addressed in their early years and prior to commencement of formal schooling.

The time to address the issue of developmental vulnerability is in the 0 – 5 year bracket and the importance of providing the resources and funding to address this issue rests with governments to ensure that all children have the best chance to engage meaningfully in a formal education, to enjoy a fulfilled life and become productive adults who contribute to the national economy and wellbeing.

Unfortunately, administrative burden associated with the introduction of the NQF is seen by ACA Members as having the potential to negatively contribute to outcomes for children.

Respondents to the *ACA Member Survey 2014*<sup>2</sup> indicate that the extent of administrative burden is resulting in less child contact from educators, which has the potential to impact on education and care

<sup>1</sup> Department of Education, Employment and Workplace Relations. (2013). Australian Early Development Index 2012 Summary Report. Canberra: Australian Government.

outcomes for children. Specifically, 56 per cent of ACA Members indicated that the introduction of the NQF has reduced or significantly reduced time educators spend with children.

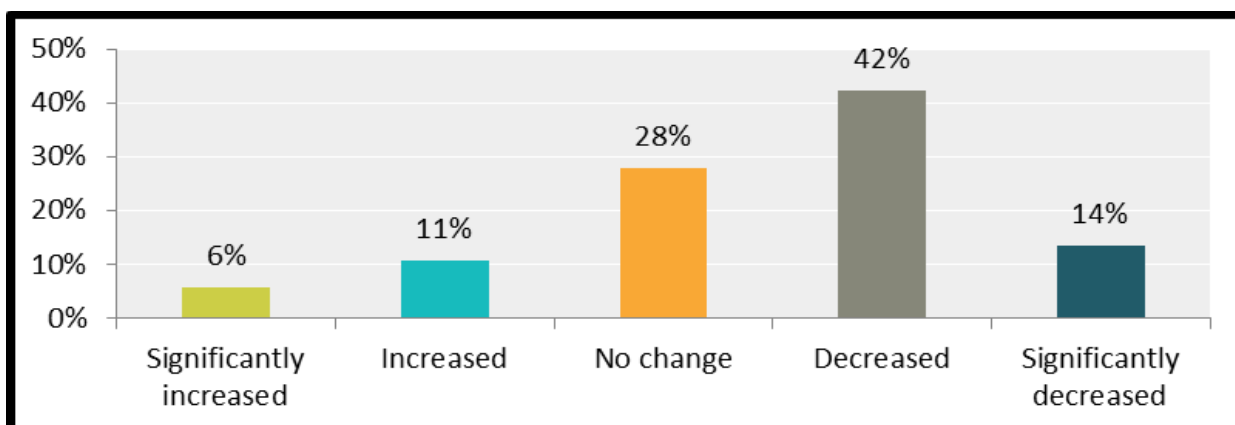


Figure 1: ACA Member Survey 2014 –Implications of the NQF: Impact of the NQF on paperwork taking educator contact time from children

Respondents also indicated a range of views on key aspects of the NQF such as programming, qualifications and ratios and their impact on outcomes for children. Results indicate that there is no consensus amongst respondents that these aspects are universally important to improving outcomes for children. Although the results show a broad split across category, there are a higher number of respondents that disagree (approximately one third) which is concerning.

Table 1: ACA Member Survey 2014 – Aspects of NQF and Outcomes for Children

	Strongly agree	Agree	Disagree	Strongly disagree	Undecided
Increased staff ratios (that is, more staff to children) have resulted in better outcomes for children	17%	36%	27%	10%	11%
Higher staff qualification requirements have resulted in better outcomes for children	14 %	35%	31%	15%	5%
A stronger focus on programming and documentation has resulted in better outcomes for children	11%	35%	31%	16%	8%

### 3.2 Impact on families

The Australian Children's Education and Care Quality Authority (ACECQA) Report into the National Quality Framework and Regulatory Burden<sup>3</sup> (Page 97, Figure 55 - Providers' perception of which ongoing administrative activities are most burdensome) substantiates ACA's position on the link between the NQF and increased in costs to families.

<sup>2</sup> ACA Member Survey 2014, Australian Childcare Alliance, January 2014.

<sup>3</sup> ACECQA Report into the National Quality Framework and Regulatory Burden, July 2013.



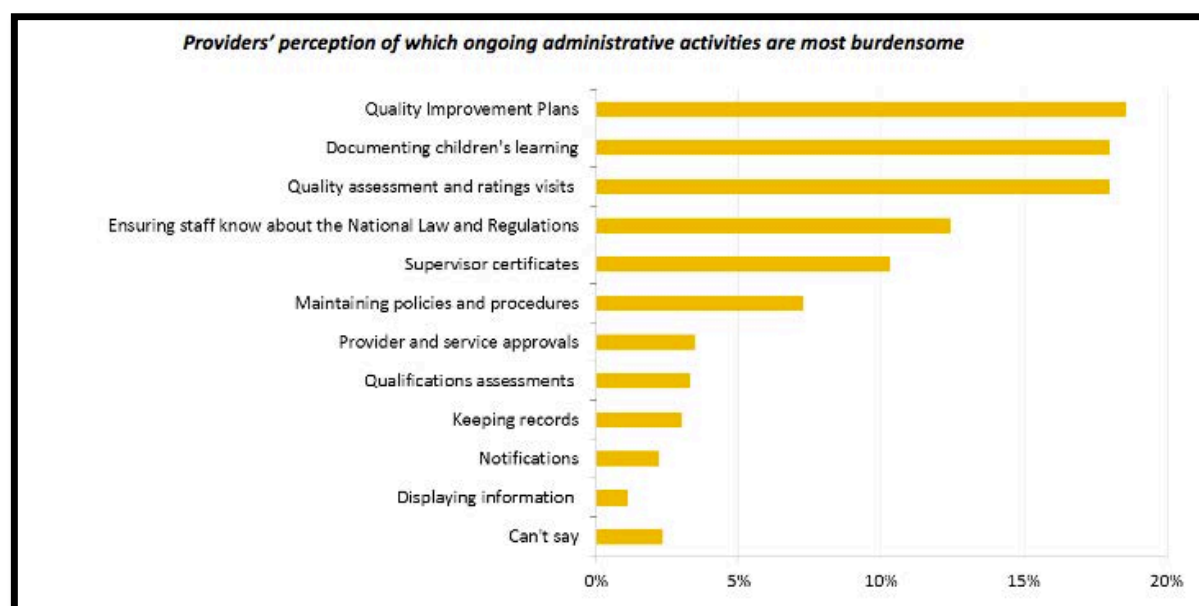


Figure 2: Providers' perception of which ongoing administrative activities are most burdensome, ACECQA

The majority of respondents (66 per cent) to the *ACA Member Survey 2014*<sup>4</sup> indicated that the additional costs of the NQF have been passed onto families in the form of higher fees. Those who do not pass on fees cite intensive local price competition as a limiting factor.

The former Labor Government, responsible for the implementation of the NQF, failed to acknowledge information in the Productivity Commission Report 2011<sup>5</sup> that indicated the costs of implementing the NQF to families would be substantial. Consequently, no additional funding was provided to assist families with the costs of implementation of the changes. In fact the opposite actually occurred with funds withdrawn from families through the Child Care Rebate (see section 5.3 *Affordability*).

The former Minister for School Education, Early Childhood and Youth disputed advice from the Productivity Commission in favour of a report from Access Economics<sup>6</sup>.

The Government, in its interim response to the PC's report, disputes the PC's prediction, maintaining that the increased costs will be 'modest'. In a speech to Australian Community Children's Services, Peter Garrett, the Minister for School Education, Early Childhood and Youth, quoted an out-of-pocket cost of about \$8 to \$9 per week for full-time long day care in 2014–15. This amount is based on modelling presented in the Regulation Impact Statement for Early Childhood Education and Care Quality Reforms (RIS) and refers to the estimates for the out-of-pocket costs for one child in long day care for families on an annual income of \$80 000. For two children, the RIS predicted estimated out-of-pocket costs per week of just over \$17 per week.

In 2009, Childcare Queensland (an affiliate of ACA) engaged Urban Economics<sup>7</sup> to undertake an assessment of the increase in fees anticipated through the implementation of the NQF. It indicated that fees for families would rise by at least \$13 per day per child in Queensland to 2015. This would be higher in other states where ratio changes were more significant and other regulatory changes were implemented earlier.

<sup>4</sup> ACA Member Survey 2014, Australian Childcare Alliance, January 2014.

<sup>5</sup> Productivity Commission Research Report – Early Childhood Development Workforce, Productivity Commission, November 2011.

<sup>6</sup> The National Quality Framework for Early Childhood Education and Care. (2011). Retrieved January 15, 2014, from <http://parliamentflagpost.blogspot.com.au/2011/12/national-quality-framework-for-early.html>

<sup>7</sup> Meulman, A. & Davies, L. (2009). Economic Impact Analysis. Report prepared by Urban Economics for Childcare Queensland.

Urban Economics anticipated that this would be at a cost of about \$210 million to families using early education and care services (in Queensland only). Fees attributed to the NQF in the majority of State and Territories will have already risen by \$13 per day with the introduction of early childhood teacher requirements on 1 January 2014.

Fee increases for families have occurred Australia-wide as services struggle to implement the new regulations with little to no assistance from government. Urban Economics commented on the Access Economics projections that:

*While Option 2 would be Urban Economics “preferred option” it is considered that all options would impose a large impact on families and is likely to lead to changes in enrolments in childcare and workforce participation for some parents. Many centres would not be able to maintain a viable business model.*

*It is Urban Economics opinion that Access Economics has underestimated the potential additional costs in childcare centres in Queensland. It is our opinion that the cost increases are likely to be steeper and of a higher scale than estimated by Access Economics. The Access Economics report also did not consider the significant inefficiencies that will result in Queensland from moving from the existing regulations to any of the proposed options.*

Further information can be found in *Section 5.3.1 Impact on Families*.

### 3.3 Subjectivity

ACA believes that the NQS is subjective and there is limited scaffolding or exemplars provided to services to assist them to recognise benchmarks.

Educators do not feel empowered in their knowledge as to where the journey of understanding will lead. Educators are advised that the journey is important not the destination; however no person undertakes a journey without knowledge of the destination. An educator may feel confident that they have progressed well but at assessment the assessor most often has a different opinion that requires a higher outcome. There is no requirement for the assessor to explain why their thinking is contrary to that of the educator.

Members report that the areas of programming and documentation of children's learning, community engagement and sustainability of the environment are most subjective as the ultimate decisions on the effectiveness of effort are determined by a nationally inconsistent A&R process. Further guidance or clarifications are required together with further professional development for educators to assist them to understand the obscure nature of the subjective elements of the NQS.

Whilst there are many positives to the NQS, overall the system is not working as intended and is causing discontent as strong and capable educators are feeling disempowered and de-skilled. This is leading to considerable waste in time and physical resources.

Maslow's hierarchy of needs shows that recognition is of great importance to individuals and the current NQS A&R is causing the opposite effect on many dedicated educators who are devastated by the outcome, become disheartened and indicate a desire to leave the sector.

### 3.4 Governance

The expenditure on additional layers of governance is costly and inefficient for government, the sector and families. The NQS is repetitive and many elements are duplicated in legislation and regulation. We support the current government's position to streamline all aspects.

The ambition to achieve nationally consistent legislation has not been realised. All States and Territories have variations. ACA is advocating for the rights of individual States and Territories to maintain the ability to meet the needs of their local communities. The removal, in some instances, of this ability has

substantially added to costs and has been detrimental to outcomes for children, families and educators. However, variations between States and Territories that set benchmarks higher than NQF standards are the cause of major division within the sector and have forced up fees for families.

A number of problematic areas in the National Law were identified by the sector in the early stages of implementation but to this date have still not been addressed (refer Appendix 11.2 - Red Tape Reduction November 2013). This is attributed to the convoluted system of governance, which lacks clear lines of responsibility to administer the current system.

ACA believes that the regulatory process of assessment should be the responsibility of the State and Territory Governments; the quality assurance, as it is linked to the Australian Government funding of the Child Care Benefit (CCB) and Child Care Rebate (CCR) should be the responsibility of the Australian Government.

The concern with the existing system is that State and Territory Governments have no scope to adjust regulations that are obviously having a negative impact on their communities. By providing a national context for A&R of the NQS, there would be a higher probability that the current inconsistencies of assessment and rating between jurisdictions would be minimised.

Responsibility should sit with one government or the other in relation to quality standards. There needs to be a delineation of responsibility that includes the ability for changes to the NQF to be made efficiently. The LDC sector, in all jurisdictions, is feeling the loss of their State and Territory Governments as 'mentors' with their transition to a limited compliance and assessment role.

ACA believes the roles of ACECQA and State and Territory Governments overlap and are costly resulting in a system that has no clear mandate for timely action for the sectors.

The applied law system, comprising the *Education and Care Services National Law 2010* and the *Education and Care Services National Regulations 2011*, whereby the Victorian Government passed the law and other jurisdictions adopted that law or passed corresponding legislation, has led to a complex situation whereby regulatory amendments may take effect in some jurisdictions many months before others.

For example, the Western Australian Government, which has passed corresponding legislation rather than adopting the National Law passed by the host jurisdiction, must make separate, corresponding amendments following the passage of amendments to the National Law, leading to considerable delays in the implementation of corresponding amendments.

Separate to the applied law system, each of the States and Territories has taken a slightly different approach to the departmental environment pertaining to ECEC services, which can impact on the complexity and responsiveness of State and Territory Governments regulatory authorities, and the respective portfolio responsibilities.

For example, in Western Australia, Early Childhood is completely separate to the Education Department, which has led to the Education and Care Regulatory Unit being responsible for the assessment and rating of long day care, outside school hours care and three-year old programs (not attached to schools); and the Education Department being responsible for the assessment and rating of schools.

This weakens the assessment and rating process when both Tasmania and Western Australia do not assess their pre-schools under the NQF system.

### 3.5 Assessment and Rating

The A&R system (combined with regulatory requirements) is considered excessive and has increased costs to operators and families as a consequence of:

- system implementation and training;
- increased non-contact time for Directors/Nominated Supervisors;





- Additional administrative burden; and
- Increased number of educators and qualification levels.

A&R results, published by ACECQA, highlight the challenges experienced by services. According to the ACECQA NQF Snapshot Q3 2013<sup>8</sup> the majority of services (42 per cent) are receiving a 'working towards' rating.

Despite insistence from the former Labor Government and ACECQA that this is an acceptable outcome, services, educators, families and the media do not consider it appropriate to be 'working towards' minimum quality benchmarks. The lack of congruence between the NQS and the National Law and National Regulations highlights that although a service can be operating legally and compliant it is still considered to be 'working towards' an acceptable standard. This is incomprehensible for most stakeholders.

To compound this issue State and Territory Governments, who conduct the A&R processes for their jurisdiction, are not consistent nationally or consistent within their jurisdictions. This results in inequitable and inconsistent assessment of services and further undermines the quality rating system.

In the transition from state-based legislation to the National law, services indicate support "resources" that previously assisted services with quality improvement have been redirected to the role of assessor, regulator and compliance officers and are no longer available to support the sector.

ACA considers the A&R process to be fundamentally flawed. A rating result defaults to the lowest rating for an element received e.g. "working towards" despite having received a higher outcome in other quality areas. ACA questions whether an overall rating is appropriate when it does not accurately describe the service's practices and performance in all or the majority of the areas of assessment.

ACA Members report that assessments are becoming increasingly onerous. As assessors progressively gain knowledge from each A&R process conducted, the standard to achieve each rating level is raised. There is little to no information provided to services as to what is required and as a result services continue to operate in a vacuum with regard to benchmarks.

The A&R process involves little collaboration between service and assessor and decisions on rating levels are decided by the assessor in isolation over 6-8 weeks after the initial visit. Collaboration, reflective practice and professional conversations between all stakeholders when determining the A&R results would build a more empowered, robust and professionally aware sector.

The final A&R report that arrives at the service some weeks (6 – 12 weeks) after the visit is generally around 60 pages. This report is onerous for assessors to complete and of limited value to educators and providers as sifting through the document is extremely time consuming. Interest in the contents of the document has waned by the time it is received at the service.

The current system's failure to recognise the service's role in determining high ratings must be addressed. Services need to assess themselves against the standards and provide the rationale as to why they believe they have achieved a particular rating level.

The role of assessors should be one of moderation, professional dialogue and supporting the service to the next level of achievement. In empowering services to reflect, assess and rate themselves, it allows services to achieve quality with greater innovation and diversity thus making ECEC services in Australia more dynamic.

There is no graduation within a level. That is, it is unclear what constitutes a rating that exceeds the immediately lower benchmark by a small or large margin. The assessor considering the rating solely determines this.

<sup>8</sup> ACECQA NQF Snapshot Quarter 3 2013, November 2013

ACA Members indicate that reports from Assessors are typically positive and little to no evidence as to why a standard was deemed to be “meeting” and not “exceeding” or “working towards” and not “meeting”. Within each rating it is anticipated that there would be at least a 20 per cent margin for achievement. There is no evidence of this occurring.

The A&R process is currently unsustainable and causing a substantial increase in government spending which could be redirected to the support of vulnerable and disadvantaged children. According to ACECQA, as at 30 September 2013 only 25 per cent of centre-based services had been assessed.

It is estimated that the rate of assessment to date, combined with those services that require reassessments (that is, they were rated “working towards” and require reassessment in 12 months) would suggest that it would take between 5-7 years to complete all services in Australia. The current system is stifling the innovative and diverse outcomes that ECEC in Australia is capable of delivering. This is evident by the “working towards” result that the large percentage of services have received.

There is concern that ACECQA will reduce the 12-week notification period for A&R to two weeks. ACA believes that this will exacerbate the gridlock of services waiting for assessment, as assessors cannot cope with the backlog under the current conditions.

There are many incidental points in the National Regulations e.g. fittings of child seats in cars, training and professional development, certified supervisor certification, signs in foyer, dictated level of community involvement, sustainability level required for the age cohort – which could be the responsibility of the service operator to ensure compliance with rather than including these in the National Regulations.

ACA is recommending a review of the entire A&R process to ensure that it is empowering for services and achieving quality outcomes in an efficient manner and less financially onerous on government. ACA has outlined a conceptual framework in section 10 of this submission.

### Implementation of the NQF

It is recommended that:

1. The responsibility of quality assurance is transferred to a national authority under the leadership of the Australian Government.
2. The responsibility of regulation is devolved to State and Territory Governments to enable a more coherent and practical servicing of the needs of local communities.
3. The existing Assessment and Rating model is suspended immediately due to sustainability of the system and the inability of jurisdictions to apply a consistent model and replaced immediately with compliance visits to ensure that all services are monitored.
4. That a new Assessment and Rating system be developed, in conjunction with the sector, that focuses on increased levels of autonomy, reduced burden on services and government and deliver timely and accurate information to parents on the quality of the sector.
5. A program of training and development is implemented by Australian Children's Education and Care Quality Authority (ACECQA) to support nationally endorsed learning frameworks to improve outcomes for children.
6. ACECQA provide best practice direction to the sector on all quality areas with respect to the National Quality Standards.



## 4 Viability of Services

### 4.1 Overall Viability

The 2013 IBIS Report<sup>9</sup> into the childcare industry presents a gloomy picture of the future, particularly for private operators who represent 70 per cent of the long day care sector. It highlights that profit margins have been eroded over the past five years to a level of viability concern and it is expected that by 2016 the sector will be experiencing severe financial difficulty. The report indicates that:

- *The long day care industry is barely viable – profit is just 0.3 per cent of turnover in 2012-13 and declining and will certainly remain below 2 per cent through 2017-18. Margins will continue to shrink due to pressure on quality and staff requirements;*
- *Occupancy levels of 70 per cent are required to achieve breakeven and will be difficult to achieve as cost pressures drive up fees and parents reduce occupancy;*
- *Wage costs are the dominant cost at 68 per cent of turnover and are set to increase with increased ratio requirements under the NQF & applications for large wage increases;*
- *Rent constitutes 11.5 per cent of turnover so the fixed cost of wages and rent combined is 79.5 per cent of turnover, leaving little scope for economies of scale;*
- *Services experience an inability to fully recover the additional costs from parents;*
- *Non-profit operators with deductible gift recipient status and government concessions will become the dominant and defining story of the industry. In the longer term, private centres will struggle to survive and will become unsustainable. Consequently, smaller, private operators and non-profit groups will dominate the industry in the future;*
- *Staff (wage costs) are required at all childcare centres, and there are few products required that can be purchased in bulk to generate savings. This suggests smaller less-profitable operators and non-profit groups will dominate the industry in the future, especially in locations where demographic factors making childcare services unviable; and*
- *The Childcare Industry is in Mature Life Cycle Stage – revenue grows same pace as the economy, weaker companies close down.*

It should be noted that when services experience viability problems, all aspects of service provision are impacted with staff hours reduced as wages account for the major operational expense.

IBISWorld in Industry Outlook reinforces the concern for viability of the private LDC sector into the future:

Despite pressing demand for childcare, the industry is expected to grow at a slower rate compared with the past five years as the last of the Australian Government's funding injection flows through the sector in 2012-13. IBISWorld forecasts industry revenue will increase at an annualised 4.1 per cent in the five years through 2017-18 to reach \$12.6 billion.

For 2013-14 will be slightly lower at 3.8 per cent. Although the government will continue its funding assistance to households, industry participants are likely to experience operational hurdles due to the new requirements as set out under the National Quality Standard. Labour supply shortages are a significant threat to operator profitability and survival. The pursuit of quality and improvements in the industry is likely to place downward pressure on profit margins. As a result, not-for-profit operators are likely to play a more significant role in the industry.

<sup>9</sup> IBISWorld: Industry Report Q8710 Childcare Services in Australia: Anna Richardson June, 2013

According to research by the Community Child Care Co-operative (NSW)<sup>10</sup>, only 5 per cent of the state's council-operated childcare centres make a profit, with 45 per cent breaking even and the rest losing money.

Whilst many of the council and community services are struggling to retain viability, the private sector, whose fees in most instances are similar or lower, have adjusted their business strategies to sustain in this tight fiscal period.

It should be noted that this occurs while the private sector continues to compete in an inequitable market with significantly favourable positions for the community sector existing in rents, company and payroll tax. The private sector is also unable to access a range of grants from gaming and other venues that are obliged to support community services.

Tracey Gibson<sup>11</sup>, from Uniting Care in Victoria, also highlighted the fragility of the community sector in recent media reports:

The Uniting Church is pulling out of four childcare centres in Gippsland, calling for a review of childcare funding. Childcare centres at Foster, Cowes, Lakes Entrance and Mirboo North will be closed unless another operator takes over.

Together they employ 45 people and look after about 600 families. Uniting Care Gippsland says they have been running the centres at a loss for years. The organisation's acting chief executive officer Tracey Gibson says costs have increased because of State Government requirements to have a higher ratio of staff to children. She supports that change, but says childcare funding comes from the Australian Government and it has not increased with the new requirements.

"It's time for a discussion about the funding models that are available," she said. She says Uniting Care Gippsland will not be the last organisation to withdraw from childcare."

At the Local Government level, during the 1980's many local governments were building and operating childcare services. Since the introduction of the NQF, many local government owned and operated child care services have become unviable and local governments are divesting themselves of their child care commitments.

ACA Members are reporting mixed sentiments about the future and their overall viability. As part of the *ACA Member Survey 2014*<sup>12</sup> services were asked to rate their business health (that is, their viability and confidence in 2014). Of concern, are 21 per cent of services throughout Australia expecting 2014, in business confidence terms, to be poor or very poor.

<sup>10</sup> SMH: R. Brown 11 November 2013, Subsidised Council Centres Under Threat

<sup>11</sup> Tracey Gibson: Article Uniting Church to close four Childcare Centres in Gippsland: Wed 23 Oct 2013, 8:35am AEDT

<sup>12</sup> ACA Member Survey 2014, Australian Childcare Alliance, January 2014.

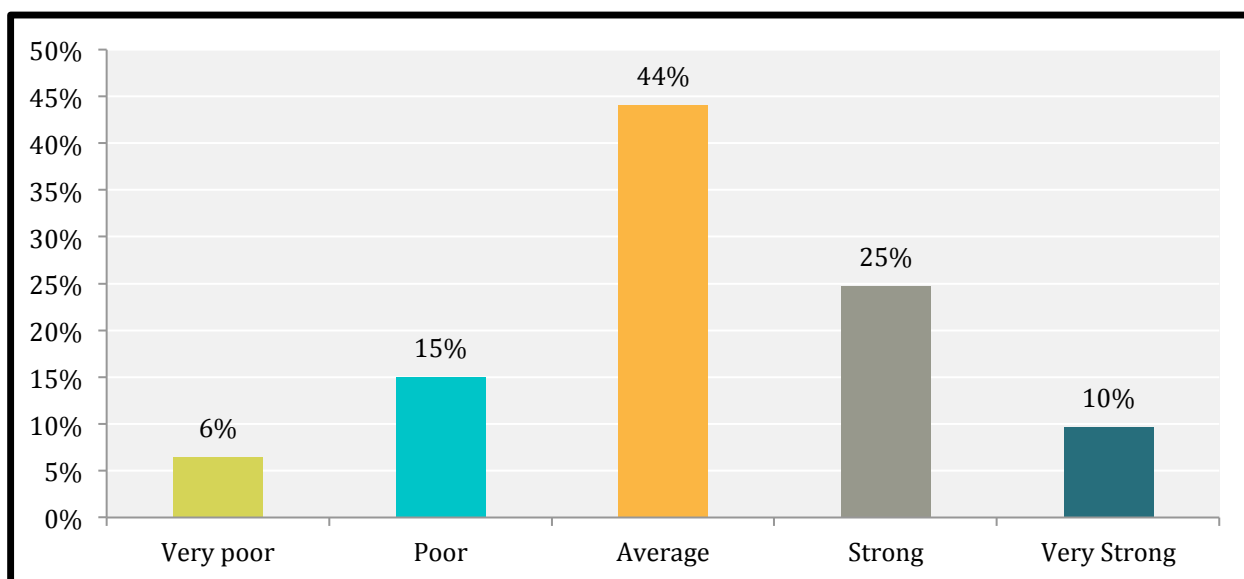


Figure 3: ACA Member Survey 2014 Business Health Prediction 2014

More than three quarters of respondents indicated stable or improving business conditions, however 17 per cent indicated declines in viability and raised concerns about their future. Members report that fixed cost pressures are high and variable costs inflexible. Members report that 62 per cent of turnover can be attributed to wages and salaries, demonstrating the relative challenge in placing downward pressure on costs.

Increasing costs are further compounded by strong price competition in addition to high demand for quality service provision. 66 per cent of ACA Members report they actively compete on price while 85 per cent indicate they compete on quality.

ACA Members indicate that price competition has prevented additional costs being passed onto families. 85 per cent of respondents indicate this has occurred, with 32 per cent reporting that it occurs on a regular or very regular basis.

**Table 2: ACA Member Survey 2014 – Perception of viability compared to 2013**

Sentiment	Percentage
It is improving and I am positive about the future	12 %
It is improving; however I am cautious about the future	14 %
It is stable and I am positive about the future	16 %
It is stable and I am neither positive nor negative about the future	10 %
It is stable; however I am cautious about the future	26 %
It is declining but it is likely to recover	5 %
It is declining and I am concerned about the future	17 %



## 4.2 Occupancy

Respondents to the *ACA Member Survey 2014*<sup>13</sup> indicated that estimated overall occupancy levels for the week beginning 3 February 2014 were 74.64 per cent.

Respondents also provided data to develop an estimate of vacancy rates in each group. It should be noted that the percentages are the level of vacancies based on the gap between predicated occupancy and capacity in each age group.

Results from this survey provide evidence that there are considerable vacancies in services throughout Australia. While there is a long and loud call for more 0–2 places it is clear that any problem of undersupply of places is demographically driven and an oversupply of places is more prominent. This highlights the need for a Planning Advisory Committee (see section 4.4) to be established so that accurate needs analysis can be implemented with new services directed to the area of determined need.

ACA Members are concerned with the high vacancy levels in the 3–5 age groups as it represents a significant number of places given higher child to staff ratios. This information substantiates the viability concerns expressed by providers.

**Table 3: ACA Member Survey 2014 – Vacancies as a percentage of overall occupancy by age**

Day	0-2 age group	2-3 age group	3-5 age group
Monday	32%	32.9%	37.2%
Tuesday	25.7%	25.5%	28.9%
Wednesday	26%	26.8%	27.6%
Thursday	25.1%	25.7%	27.4%
Friday	30.4%	30.3%	33.3%

## 4.3 Regulatory Burden

The ACECQA Report on the National Quality Framework and Regulatory Burden<sup>14</sup>, which was responded to by more than 2250 services highlights the alarming costs involved in implementing the NQA including the following:

- Childcare educators are spending 4 hours a week on paperwork;
- Documenting children's learning costs \$690 per annum per child;
- New quality rules are costing parents \$40 a week per child;
- One chain of 50 centres spent \$560,000 last year complying with the National Quality Agenda (NQA);
- NQA paperwork requirements is costing each centre \$19,000 per annum;
- Documenting quality improvement plans under the NQA is costing each centre \$3,393 per annum;
- Reviewing procedures under the NQA is costing \$10,876 per annum;
- One 75 place centre spent \$175,888 on NQA in the first year and anticipated \$140,000 per annum ongoing cost, and
- Centres have to satisfy more than 350 requirements under the NQA.

<sup>13</sup> ACA Member Survey 2014, Australian Childcare Alliance, January 2014.

<sup>14</sup> ACECQA Report on the National Quality Framework & Regulatory Burden 2013 Page 96 Ensuring Staff know about the National Law and Regulations

ACA Members are reporting that these costs are compounded by inconsistencies in the implementation of the NQF. Specifically, more than two-thirds of respondents have experienced variable advice in programming and documentation, compliance and enforcement and A&R while more than half of respondents experienced inconsistencies with health and safety, physical environment and sustainability.

Approximately one third of respondents to the *ACA Member Survey 2014*<sup>15</sup> reported that the implementation of the NQF has placed pressure on viability and resulted in a change to the mix and number of children attending the service.

Specifically, this has had a detrimental impact on places for 0-2 aged children and placed significant pressure on smaller services to reduce places rather than exceed the threshold for employing an early childhood teacher (ECT), due to costs and propensity of families to pay fee increases.

ACA Members in New South Wales are implementing changes to the overall number of children for whom they are providing care as a result of ECT requirements. A number of smaller services are now operating with a maximum of 24 places despite being licensed for 29 approved places. This has been caused by the regulatory requirement to have a full time ECT if licensed capacity is greater than 25. This is having a serious impact on accessibility of care (via reduced places), affordability of care (via increased fees) and continuity of care (with long-term staff being replaced) combined with viability of services due to the reduction of places.

#### 4.4 Planning

ACA supports industry planning as a means of overcoming some of the accessibility, affordability and viability challenges discussed in this submission. In Australia currently, there is no systematic monitoring of the supply of ECEC places. For some communities available places are in short supply while for other communities the viability of existing ECEC services is threatened where new investment in ECEC creates an over supplied market or unemployment is high.

It is incredulous that such a vital sector dealing with the future of Australia's children is permitted to grow on a developer-determined basis. This often means that new services are constructed where land is less expensive and readily available and where there may already be oversupply.

In recent years the Australian Government and State and Territory Governments have contributed to an imbalance of supply by constructing new services in areas of low demand.

A report released by the Department of Education and Training of the Standing Council of School Education and Early Childhood (SCSEEC) 10<sup>th</sup> May 2013, Queensland Stakeholder Communication states:

*Standing Council discussed availability of childcare in Australia, with each Minister providing a report on the status of this issue in their jurisdiction. The reports highlighted that there is no uniform treatment of this matter across Australia, but did not point to a major systemic issue with respect to childcare availability. In line with advice from relevant stakeholders, Queensland noted that affordability, rather than availability, is a more pressing issue for Queensland families. Ministers agreed they would continue to monitor the availability of child care within their jurisdictions and address any impediments to availability at a local level.*

ACA is seeking information on how this has been progressed through SCSEEC and how each State and Territory Minister is gathering the information required from providers. ACA suspects that the information may be more anecdotal than factual.

With the information available to Department of Education through the Child Care Management System, Australia has the opportunity to bring together the analysis of Australian, State and Local Governments

<sup>15</sup> ACA Member Survey 2014, Australian Childcare Alliance, January 2014.

to strategically monitor supply and demand nationally. At the heart of such monitoring must be community need and an assessment of whether the ECEC sector is meeting the demand for places, both current and projected.

The formation of a committee, such as the previous Planning Advisory Committee, which was established by the Australian Government in 1998 and operated until 2000 to address the allocation of child care benefit places to areas of need. The forum of this group in each state and territory consisted of Australian Government, State and Local Governments and sector representatives to monitor and refer growth into areas of need would be beneficial to all stakeholders.

### Viability of Services

It is recommended that:

7. The Australian Government address the inequitable taxation status of not-for-profit providers by excluding the provision of childcare as an acceptable activity under Deductible Gift Recipients (DGR) status.
8. Alternative levers are considered to facilitate better planning within the ECEC sector including eligibility for Government funding of new services where communities are at-risk of oversupply.
9. The Australian Government's inequitably low funding of the 0-3 age groups is increased to assist with meeting demand.
10. A dedicated *Planning Advisory Committee* is established by the Australian Government to strategically monitor supply and demand nationally and is replicated in each state with ECEC relevant sector representation.
11. The *Planning Advisory Committee* is responsible for working with all levels of Government and the ECEC sector to establish common principles and criteria for assessing supply and demand, building on current practice.
12. The Australian Government advises other relevant Government agencies where appropriate, should there be concern regarding over supply.



## 5 Demand for childcare

### 5.1 Demand

Workforce participation is considered to be the primary driver of demand for childcare. In most circumstances it is the mother who takes time out from the workforce to provide primary care for their children. The Australian Government's investment in subsidising care for families has been a significant factor in the ability to afford care and for mothers to enter/re-enter the paid workforce.

*Urban Economics*<sup>16</sup> state that the out-of-pocket costs of care have increased by 7.7 per cent over the past 4 years. This has occurred primarily due to the unfunded implementation of the NQF, with affordability becoming a major determinant of workers, particularly women, returning to the workforce.

The Child Care Benefit (CCB) and the Child Care Rebate (CCR) have eroded considerably and failed to keep pace with the real costs of service delivery. As a result women are reducing their work commitments or choosing not to re-enter the workforce after childbirth.

Labour force underemployment and unemployment has increased to 13.7 per cent as of November 2013, and those that were particularly affected by underemployment and unemployment are women. This is higher than during the Global Financial Crisis.<sup>17</sup>

The Grattan Institute Report has identified the game changes that would substantially increase GDP in Australia. In an Op-ed published by John Daley<sup>1</sup> CEO states:

On female participation, Australian women only would have to join the workforce at Canadian rates to deliver a \$25 billion boost to the economy. The essential reform is to increase the proportion of earnings that women with children take home, by changing the tax and welfare rules for family tax benefit and childcare. At present there are women who would take home less than \$50 for two extra days of work.

Evidence from families collated by ACA indicates that a reduction of hours and even leaving the workforce will occur should fees continue to rise for NQF implementation.

83 per cent of respondents *ACA Parent Survey 2014*<sup>18</sup> who indicated that they had issues with workforce participation stated that they considered the cost of childcare a barrier to work or study.

Deferring additional assistance for families until 2015-16 will likely result in women leaving the paid workforce or reducing working hours. It is imperative for the Australian economy that female workforce participation ceases to decline and improves in the short to medium term.

Working families are increasing demand for part-time care compared with previous years in most demographic areas. Tuesday, Wednesday and Thursdays are now the higher usage days. Results from the *ACA Member Survey 2014*<sup>19</sup> highlights that 84 per cent of respondents are being directly impacted by this shift in demand. ACA Members attributed 90 per cent of this activity to families' ongoing affordability concerns.

<sup>16</sup> Meulman, A. & Binkley, J. (2014). *Economic Analysis of Childcare Industry*. Report prepared by Urban Economics for Childcare Queensland.

<sup>17</sup> John Black: The Australian January 4<sup>th</sup>-5<sup>th</sup> 2014: Green tinge to Labor's Legacy

<sup>18</sup> ACA Parent Survey 2014, Australian Childcare Alliance, December 2013.

<sup>19</sup> ACA Member Survey 2014, Australian Childcare Alliance, January 2014.

## 5.2 Accessibility

In the child care context accessibility can refer, from a parent's perspective, to being able to obtain suitable childcare for their child when required that meets their quality, flexibility and affordability expectations.

Whilst there is evidence of under supply of places in some statistical local areas (SLA), there are also many that have vast oversupply and services that are struggling to maintain viability. Their precarious viability is due to oversupply of services and the increasing cost of care directly related to the unfunded implementation of the NQF.

As outlined in *Meeting the Expectations of Australian Families*<sup>20</sup> there continues to be a number of challenges in terms of all Australian families having the opportunity to access quality ECEC services, including lack of access to ECEC places in some areas and lack of places for infants and children with additional needs (see section 9 Vulnerable and Disadvantaged Children and section 4.2 Occupancy).

Expansion in areas of highest demand is often extremely difficult due to the high cost of infrastructure and land in these areas. Local government also play a major part in their approval or rejection of building applications with consideration given to noise, amenity and traffic.

Current services that wish to increase their licensed capacity are finding that they are hamstrung because of local government and parking issues and also Section 107 of the National Law requiring that an increase in licensed capacity or even renovations to improve the building will generate relicensing under which the service must then meet the current Australian Building Standards.

This results in substantial expenditure and in many instances a reduction in licensed capacity because of parking spaces and requirements under the NQF.

### 5.2.1 Access for 0-2 years

Many parents report difficulties in accessing ECEC that meets their specific requirements, particularly with respect to care for 0-2 year old children. However, this is in certain demographic areas only and is not reflective of the overall provision of care for children aged 0–2 (see section 4.2 Occupancy).

Services in general, provide care for a limited number of 0-2 year old children. This is primarily due to higher staff to child ratios (more than double that of older groups) while funding provided to families is the same as it is for the 3–5 year old children. This prevents the provision of additional care for babies as it is considered an unviable business practice.

Complicating the issue are reports from ACA Members that indicate that demand for babies has reduced in many demographic areas across Australia. ACA believes this is, in part, attributed to the Paid Parental Leave and/or the high cost of care (see section 4.2 Occupancy).

Responses to the *ACA Member Survey 2014*<sup>21</sup> indicated that 25 per cent of ACA Members do not provide care for babies. These Members attribute this to the space/structural limitations in the current service (65 per cent), the higher costs of providing care to babies (57 per cent) and the staffing costs associated with educator-child ratios for the age group (54 per cent).

In addition, parents' expectations can at times be unrealised when they choose to return to work and require specific days, particularly in the 0–2 age group. ACA understands it is difficult for parents who require care when they need to commence work urgently. Mondays and Fridays in services across Australia are generally well underutilised but families who are part-time workers traditionally prefer to work Tuesday, Wednesday and Thursday so as to have the constant four-day break.

<sup>20</sup> Meeting the Expectations of Australian Families: Australian Childcare Alliance: August 2012

<sup>21</sup> ACA Member Survey 2014, Australian Childcare Alliance, January 2014

### 5.2.2 *Waiting Lists*

Waiting lists are a complex issue for services to manage as parents place their children's names on lists at multiple services and often do not advise the service when they have accepted another position. This makes the reliability of waiting lists, as an indication of latent demand, unreliable.

Some services have chosen to charge families to join waiting lists and this has caused negative commentary from the media, however it is done in an attempt to control the waiting list and limit it to persons who genuinely wish to attend that service.

When a service has a vacancy, evidence from Members suggest that services often call up to as many as 50 parents before they engage with a parent who is still waiting to take a place. A current trend is when parents are due to commence work they advise the service that they are deferring their return to work for an additional period and have an expectation that the position will be held open for that period at no cost.

ACA does not believe that government should enter into these issues by providing a national waiting list as it would be extremely difficult to maintain accurately and would result in the same outcomes for families and services.

Evidence from discussion with families and reports from members informs us that most referrals to a service come by "word of mouth". This occurs through playgroups, local schools and general community contacts.

For new residents to a community, parents are more inclined to "google" services in the local community then telephone to enquire about vacancies. Parents use the *Care for Kids* website and there is interaction between services and this website advising of enquiries. ACA believe that parents are less aware of and therefore less likely to use the My Child Website. Parents have stated that the My Child website is not providing accurate information regarding the actual days of vacancies. ACA views the My Child Website as costly and underutilised, with the ACECQA website duplicating some services.

### 5.2.3 *Participation of Vulnerable Families*

Our members advise that families experiencing vulnerable circumstances are accessing ECEC services less frequently than historical levels and ACA believes that this is due to the increased cost of care even for families who are on 100 per cent CCB.

ACA believes there is justification to provide free access to ECEC services for children from vulnerable backgrounds and for those at risk of abuse or neglect.

Children of families experiencing home turmoil (for example a parent with cancer particularly whilst undergoing chemotherapy or in hospital, domestic violence, separation, death in the family) need assistance through Special Child Care Benefit (SCCB) and sometimes additional days for a period of time – more than 13 weeks - to assist the family to regain their wellbeing. SCCB should be targeted to guarantee that it is meeting the needs of genuine families in need.

Children from all socio-economic and cultural backgrounds can be exposed to all or specific aspects of vulnerability and these can persist for long periods of time. The primary concern must be for the welfare and development of the child.

ACA understands that the primary carer is the parent but when parents fail to provide the best outcomes for their children the responsibility must be shared between the parent, the community and government.

Children in their early years are the most vulnerable and early intervention is critical to ensure that these children can participate in an early learning program and cost must not be a barrier to these children.



Not only do ECEC programs prepare children for their formal schooling, they identify the needs of the child across all developmental and social areas. This in turn provides a consistency for the child and through the child, the service and external family support groups can support the family. Childcare services develop strong links with community health agencies and specialists to support families.

ACA recommends that children from families with vulnerable or disadvantaged backgrounds be provided with an early education and care program to meet their specific needs at no cost to the family.

### 5.3 Affordability

Affordability in childcare refers to the extent to which childcare is affordable, as measured by its cost relative to the amount that the purchaser is able to pay.

#### 5.3.1 Impact on Families

Parents state that they have experienced financial hardship through the fee increases as a result of the implementation of the NQF. Whilst families are satisfied with the early learning programs being offered in services across Australia, it is evident from their comments recorded in the *What Parents Want Survey 2013*<sup>22</sup> that considerable financial and personal hardship has occurred.

Approximately 81 per cent of respondents indicated that they have experienced fee increases since the NQF reforms, which were intended to improve quality. Approximately 62 per cent of respondents indicated that this challenged their ability to remain within their budget without having to reduce other family expenditure.

#### Parent comments regarding childcare affordability from ACA What Parents Want Survey 2013:

"We work hard and yes we earn good money - but with all our mortgage, insurances costs, household expenses, petrol, maintenance of our house & car, feeding, clothing and medical expenses we are really feeling it. If the rebate was to be means tested I could no longer afford childcare and therefore would not be able to work. This would impact on my children's quality of life and that of me and my husband."

"Childcare costs are expensive and it does impact on how many days a week I can work. It also affects our families overall expenses as my wage just goes to childcare fees. My wage just covers the cost of childcare. To work more days a week it is not worthwhile as I end up paying more in childcare fees."

"Please just make it affordable for everyone so we actually have a choice about returning to the workforce instead of it being dictated by our finances. It is a real shame that some people do not return to work (when they want to) simply because it actually becomes not financially worth it."

"To understand the huge struggle working parents face to find Quality childcare at significant cost and that by means testing the CCR, many thousands of families will be forced out of the workplace due to the unaffordability of child care."

"Don't means test child care. I work, I pay tax and this is the only benefit I get. Means test this I stop working I pay less tax. I get no other benefits from the government as apparently we earn too much money yet still struggle to afford child care."

"Working parents, specifically mothers are really trying to make it a profitable exercise in returning to work. At the moment many find it a break-even experience because of child care. Where's the benefit for the working family?"

<sup>22</sup> ACA Parent Survey 2014, Australian Childcare Alliance, December 2013

The former Labor Government reduced financial assistance to families by reducing the CCR maximum cap from around \$8,000 (where it was to move to from \$7,779) and froze indexation for a period of three years. As a result, families are estimated to be more than \$4,200 per child worse off in 2014-15 than they would have been 2010-11.

**Table 4: CCR difference to family budget with cap and no CPI increase for 4 years**

Daily fee (Est. on CPI adjustment at 2.4% plus cost of Modern Award and National Standards)	Total weekly payment 4 days per week	Annual Fees paid by parent	CCR \$7,941 per annum – adding 3% CPI each year (low estimate)	Proposed parent portion less CCR at rate without freeze	Proposed parent portion at \$7,500 cap with freeze for 4 years	Loss each year
<b>\$87.00</b> <b>2010/11</b>	\$348.00	\$18,096	\$7,941	\$10,155	0	\$0
<b>\$91.00</b> <b>2011/12</b>	\$364.00	\$18,928	\$8,179	\$10,749	\$11,428	\$679
<b>\$95.00</b> <b>2012/13</b>	\$380.00	\$19,760	\$8,425	\$11,335	\$12,260	\$925
<b>\$100.00</b> <b>2013/14</b>	\$400.00	\$20,800	\$8,678	\$12,122	\$13,300	\$1,178
<b>\$105.00</b> <b>2014/15</b>	\$420.00	\$21,840	\$8,938	\$12,902	\$14,340	\$1,438
<b>Minimum loss due to cap and freeze of CCR. Families will pay extra over 4 years</b>						<b>\$4,220</b>

Families have calculated the number of days they can afford to participate in the workforce by the CCR payment they receive. For example, if a parent works for 5 days per week at \$100 per day:

ECEC fees:	\$26,000 per annum
<i>Deduct CCR:</i>	\$7,500 per annum
<i>Amount paid by parent after subsidy</i>	\$18,500 per annum

The parent would receive 30 weeks of subsidy, which means that from Mid-January each financial year ending 30 June, the parent would be paying full fees without subsidy.

There is also a trend towards part-time care. 84 per cent of respondents to the *ACA Member Survey 2014*<sup>23</sup> indicate that families are reducing from full-time commitments (for example, dropping Monday and Friday). Of these, Members reported that these decisions are due to:

- A response to affordability concerns (90 per cent);
- A response to one or both parents participating in less work (56 per cent);
- A decision to use family (no cost) arrangements (55 per cent);
- A response to unemployment (38 per cent); and
- A strategy to stretch CCR payments (33 per cent).

ACA is concerned the current Australian Government is seeking to continue the freeze on CCR for an additional three years, as set by the previous Government in the 2013-14 Budget. This will provide further barriers for families, particularly mothers, to remain in full-time work or in the paid workforce.

<sup>23</sup> ACA Member Survey 2014, Australian Childcare Alliance, January 2014

The Grattan Report<sup>24</sup> reinforces the economic imperative of improving affordability, particularly for female workforce participation:

*“Removing disincentives for women to enter the paid workforce would increase the size of the Australian Economy by about \$25 billion per year. The most important policy change is to alter access to Family Tax Benefit, and child Care Benefit and Rebate so that the second income in a family – usually, but not always, a mother – takes home more income after tax, welfare and child care costs.”*

The Centre for Economic Policy Research<sup>25</sup> report highlights the strong relationship between cost of childcare and usage. They report that:

- a one per cent increase in the net price of child care for pre-school children leads to a decrease in hours worked by partnered women of 0.10 per cent. Such a price change leads to a decrease in the employment rate of 0.06 per cent. These estimates are statistically different from zero; and
- the analogous gross child care price elasticity is similar. A one per cent increase in the gross pre-school childcare price causes mothers' hours of work to decrease by 0.11 per cent and mothers' employment rate to decrease by 0.07 per cent.

The ACA Parent Survey 2014<sup>26</sup> and ACA What Parents Want Survey 2013 highlight that the high cost of care is a determinant of families' ability to access ECEC. More than 60 per cent of families indicated that they would increase their use of childcare if cost were not a barrier.

Respondents to parent survey also highlight that when fees increased by 10 per cent approximately 48 per cent of parents would decrease their usage of childcare by one or more days or withdraw completely from care. This result is exacerbated with a 20 per cent increase in fees, where more than 70 per cent of families indicated they would reduce usage by one or more days or withdraw completely.

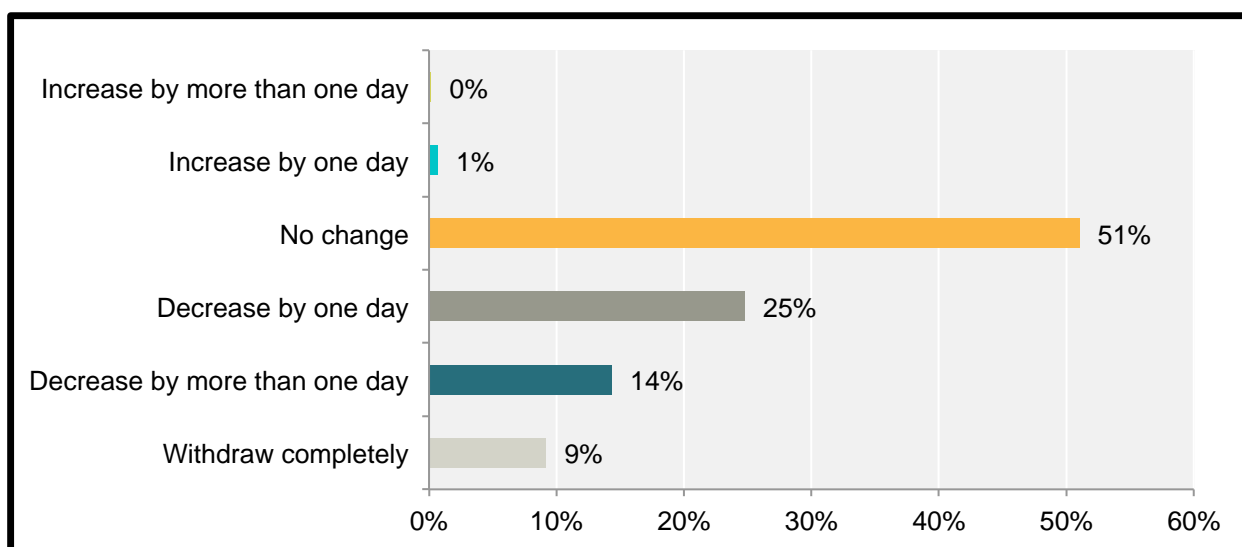


Figure 4: ACA Parent Survey 2014 - Parent response to usage of childcare with an increase in fees of 10 per cent

<sup>24</sup> Grattan Institute Report No. 2012-5, June 2012 – Game Changers: Economic Reform Priorities for Australian, June 2012, John Daley

<sup>25</sup> The Australian National University, Centre for Economic Policy Research Discussion; Gong and Breunig; Paper No. 653 November 2011.

<sup>26</sup> ACA Parent Survey 2014, Australian Childcare Alliance, December 2013.



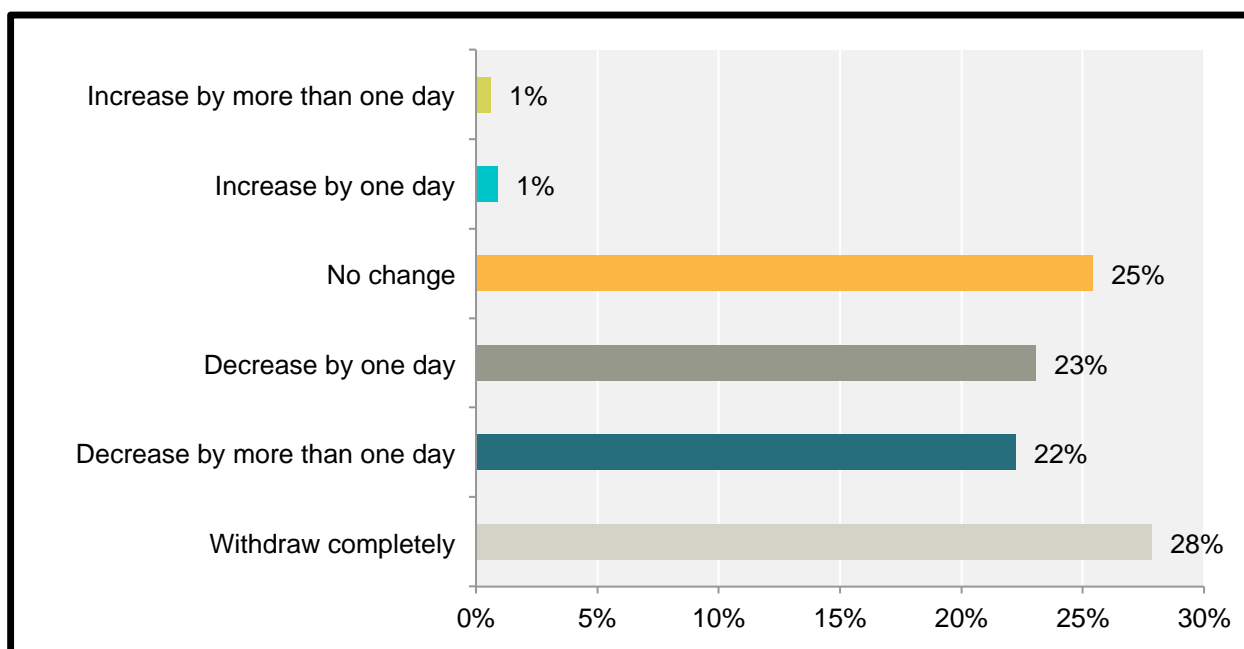


Figure 5: ACA Parent Survey 2014 - Parent response to usage of childcare with an increase in fees of 20 per cent

The cost of childcare has a major or considerable influence on the primary carer in the majority of families (53 per cent); however it also has an impact on the workforce participation of the partner in almost one third of working families (31 per cent).

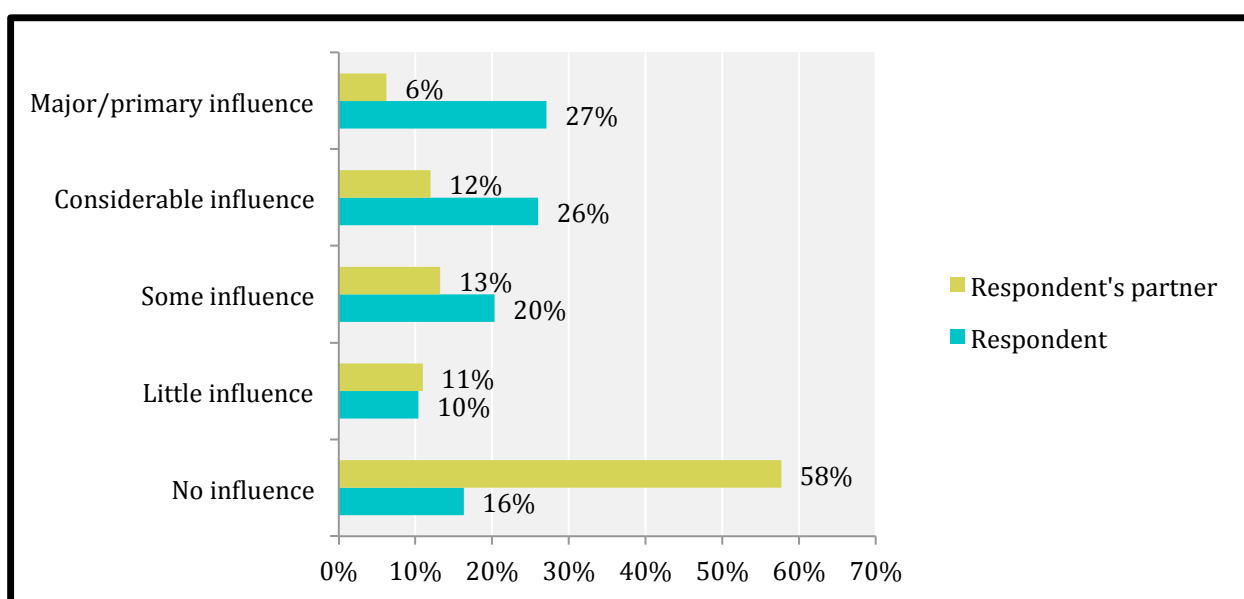


Figure 6: ACA Parent Survey 2014 - Impact of cost on parent workforce participation

Overall families are continuing to struggle to meet the out-of-pocket cost of childcare. Respondents to the *ACA Member Survey 2014*<sup>27</sup> demonstrate the volatile financial position of families accessing the long day sector. ACA Members report that on average 25 per cent of families experienced difficulties in paying their fees during 2013.

<sup>27</sup> ACA Member Survey 2014, Australian Childcare Alliance, January 2014

### 5.3.2 Delivery of Funding to Families

Results from the *ACA What Parent Survey 2014*<sup>28</sup> highlight satisfaction with the existing delivery of funding support from the Australian Government. More than three quarters of respondents indicated that their preferred method of receiving support was a subsidy or rebate to reduce out-of-pocket expenses.

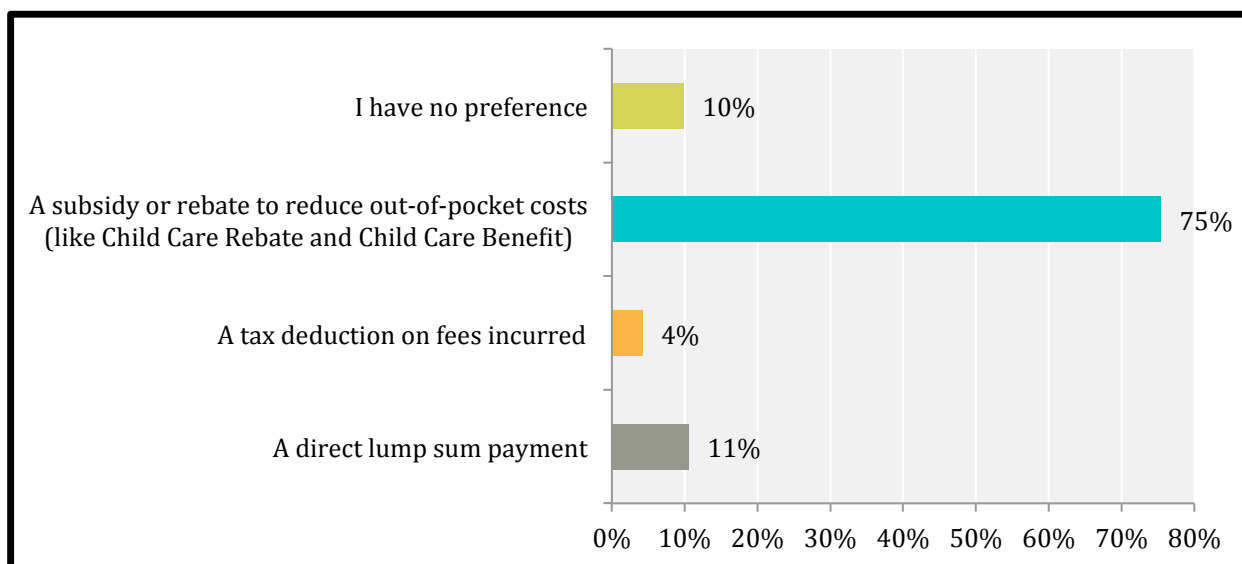


Figure 7: ACA Parent Survey 2014 – Parents preference on Government funding model

The low response to tax deductibility or lump sum payments is congruent with ACAs views that in the existing economic climate a high number of families using long day care services are struggling to meet their financial obligations. Anecdotal evidence suggest that the out-of-pocket expenses model is most likely to retain families in early childhood education and care with any retrospective models (such as tax deductibility) likely to reduce parent propensity to pay.

Only 4 per cent of respondents prefer a tax deduction on fees incurred. Initial enquiries made by ACA indicate that the majority of families would by far be worse off financially if this method of payment was employed.

ACA recommends that all ECEC subsidy payments to families be made through the CCMS to be deducted from the fees of the service.

ACA members also have a concern for the viability of services should families need to wait in excess of 12 months to receive the benefit of their tax deduction. Historically, viability issues arise when families are not receiving subsidies on a regular basis.

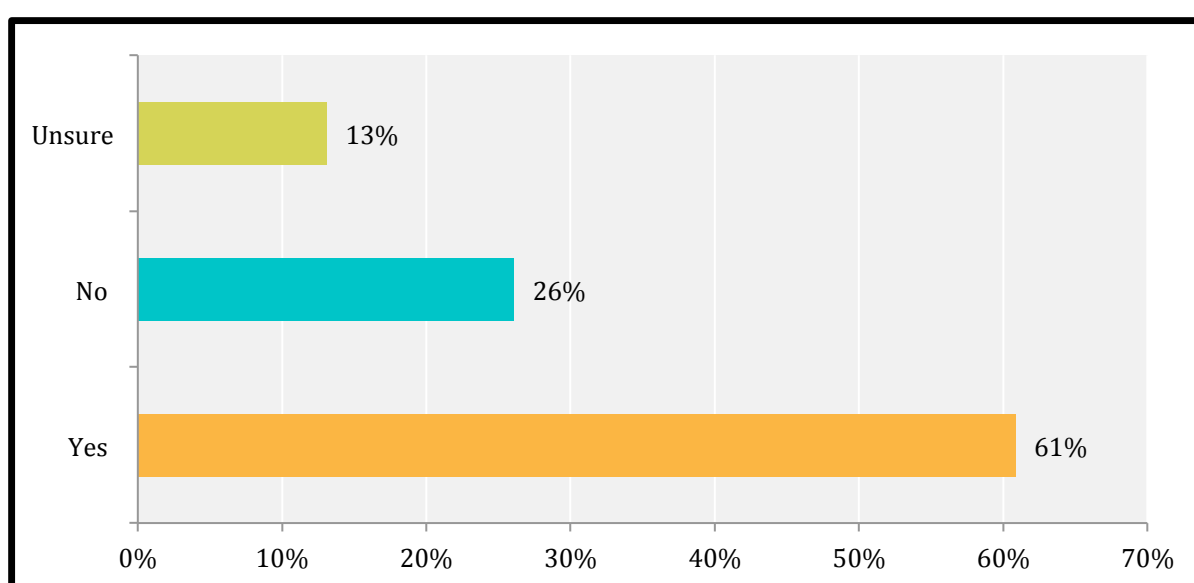
Although supportive of the existing model, parents indicated concerns with administration of funding support (see table 4). In broad terms, parents are reporting challenges with all aspects of funding support including comprehending the eligibility criteria, application criteria and the support and tools available to assist. Anecdotal reports indicate that improvements could be made across all categories to make funding support more easily accessible.

Government must consider any changes to the funding model with comprehensive consultation with the sector and with families. ACA believes that this determination must provide assurances that affordability would be improved with sustainability into the future for all families.

<sup>28</sup> ACA Parent Survey 2014, Australian Childcare Alliance, December 2013.

**Table 5: Parents perceptions of funding from the Australian Government**

	Simple and straightforward	Simple, but I had some issues	Unclear and confusing	Complex and frustrating
<b>The eligibility criteria</b>	39%	29 %	22%	10 %
<b>The application process</b>	33%	35%	19%	14%
<b>Support tools available to assist</b>	29%	31%	26%	14%

*Figure 8: Parents that would increase use of childcare if cost was not an issue*

## 5.4 Flexibility

Flexibility in childcare refers to both the flexibility of the provider to provide care in changing situations and to meet the changing flexibility of workforce participation requirements.

Initially, the decision of when or if a parent (usually the mother) returns to the workforce is driven by her profession and the importance of remaining in the workforce to maintain currency of professional knowledge or family financial pressures. In most cases, the primary motivator for working is not earnings alone, but a sense of contribution, development and social interaction that comes from work. Underemployment is becoming more prevalent as mothers who wish to work full time can only access part-time employment.

The increasing cost of living has seen the need for dual incomes to maintain an acceptable standard of living for the average family, however evidence from families collated by ACA, indicates that a reduction of hours and even leaving the workforce will occur should fees continue to rise.

The *ACA Parent Survey 2014*<sup>29</sup> identified that 83.13 per cent of respondents stated that in situations when childcare was a barrier to workforce participation or further study the overwhelming driver of these concerns was cost.

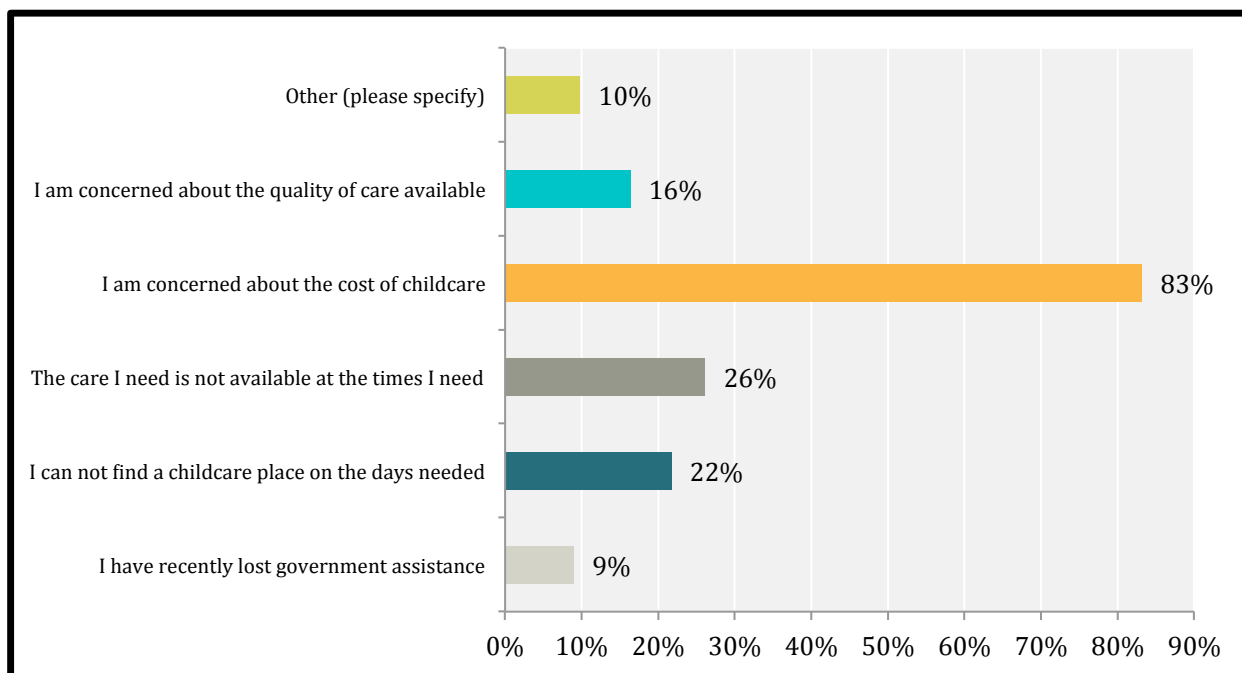


Figure 9: ACA Parent Survey 2014 - Reasons for childcare being a barrier to further work or study

The *ACA What Parents Want Survey 2013*<sup>30</sup> asked parents if they had a need for extended hours work related care. Approximately one third of respondents indicated some need with the majority of respondents indicating the need related to up to two hours per day of additional hour care.

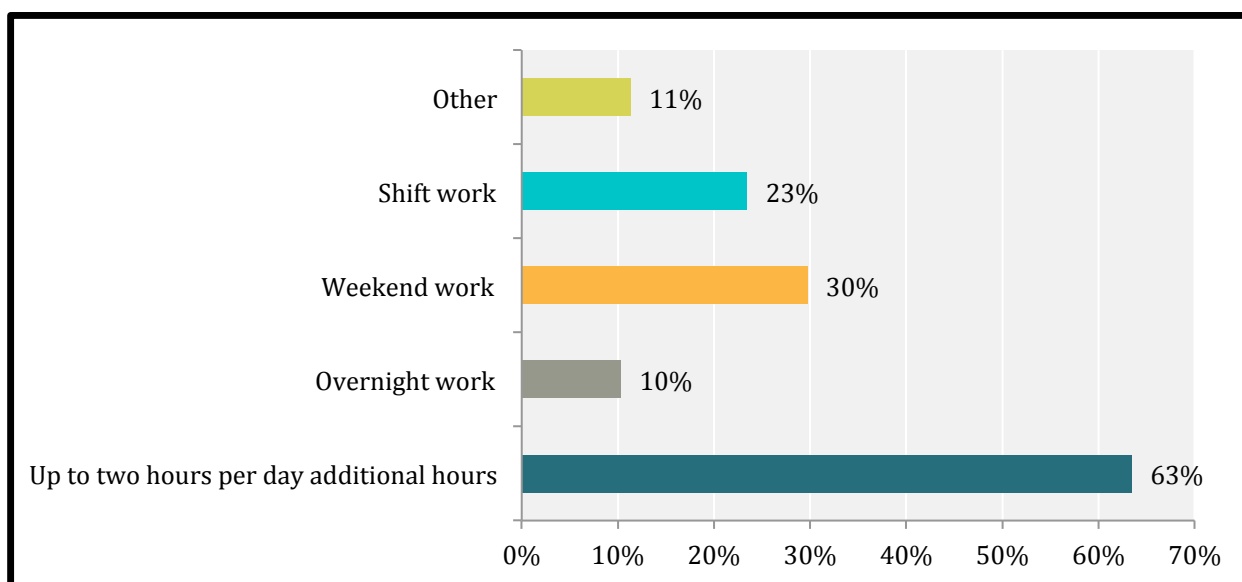


Figure 10: ACA What Parents Want Survey 2013 – Needs for additional flexible care

ACA believes that some parents require flexibility to meet their workforce participation needs, however this is not a major influence on the provision of care. It is, however, a vital aspect for those families who need to make a workforce adjustment.

<sup>29</sup> ACA Parent Survey 2014, Australian Childcare Alliance, December 2013.

<sup>30</sup> ACA What Parents Want Survey 2013, Australian Childcare Alliance, April 2013



Long day care settings could meet the need for an extended hours service outside of the normal 6 a.m. to 6.30 p.m. At the present time, extending hours in a long day care service is hindered by industrial restrictions that state that the working hours for educators in a long day care setting are 6 a.m. to 6.30 p.m. (without penalty rates occurring).

A further barrier is the length of time that a family can access CCB hours. The restriction of CCB hours to 50 per week results in the family who works five days per week paying almost full fees for the fifth day as services generally operate for 12 hours to meet the shift work needs of the workforce.

Long day care services have attempted to provide extended hours care but under the current industrial arrangements and without any additional government subsidy these services have failed. The uptake by families is low and erratic and the additional wages in overtime rates paid to staff makes the process unviable.

Families accessing long day care can, if circumstances dictate, apply for additional hours of care to use In-home Care. This again substantiates the flexibility that families currently access.

In-home care sector, however, is currently out-of-scope of the NQF and therefore not subject to the same rigorous quality requirements, which for many parents is a significant detractor. ACA has been informed that the In-home care sector is seeking to be considered "in scope" in the near future.

Long day care services have the qualified educators and the relationship with the families but need greater flexibility from government to extend hours, when necessary, to ensure continuity of quality education and care programs. ACA does not envisage that the demand for these services will be high but without the ability to extend hours if required, the needs of families for a more flexible delivery of ECEC will not be met.

Approximately 30 per cent of respondents to the *ACA Member Survey 2014*<sup>31</sup> indicated they provide some aspect of flexibility to families at their service, however this primarily related to change of days in situations where parents required changes for work or other purposes.

Overall demand for flexible care is difficult to determine in a holistic manner, as it is very much dependent on the needs of the local community. ACA Members report that they receive requests for flexible care in the following categories:

- Flexibility to swap/add/change days (96 per cent of respondents);
- Part-days (82 per cent of respondents);
- Hourly care (54 per cent of respondents);
- Before and after-school care (54 per cent of respondents);
- Weekend care (26 per cent of respondents); and
- Overnight care (14 per cent of respondents).

ACA Members report the following barriers to providing additional flexible care arrangements, including:

- Lack of staff available to fulfil flexible options (62 per cent of respondents);
- Lack of demand from families (59 per cent of respondents);
- Award restrictions without entering penalty provisions (56 per cent of respondents);
- Limitation of regulations (51 per cent of respondents);
- Inability for families to meet projected costs (48 per cent of respondents);
- Insurance (32 per cent of respondents);
- After-hours security concerns (31 per cent of respondents);
- Funding constraints (27 per cent); and
- Local government issues - development or zoning restrictions (16 per cent of respondents).

<sup>31</sup> ACA Member Survey 2014, Australian Childcare Alliance, January 2014.

Importantly, with the removal of barriers to long day care services they would be able to provide additional care to a high portion of families in need with 22 per cent of ACA Members indicating they would be willing to provide additional flexible arrangements and a further 47 per cent willing to consider options in more detail (if viable).

#### 5.4.1 *Childcare Flexibility Trials*

Goodstart, Family Day Care (FDC) and some targeted providers undertook the Child Care Flexibility Trials and there has been little consultation with or information given to the broader sector as to the process and outcomes. As there has been no published information on the scope and outcomes, ACA is unable to make meaningful comment on the success or otherwise of the trials.

ACA believes that affordable approaches to improving flexibility with new provider models must be underpinned by the same stringent regulations and standards that have been imposed upon long day care, Preschools, FDC and Outside School Hours Care (OSHC).

It would be unacceptable to have current models of formal ECEC services bound by costly legislation whilst a 'defacto innovative' model would be out of scope of the rigorous controls and legal obligations under which LDC and FDC operate.

ACA believes that any form of taxpayer-funded care must have the wellbeing and safety of the child as the paramount focus and maintain regulatory and educational standards.

ACA believes that Australia has a strong Family Day Care (FDC) sector that largely and effectively meets the needs of many families who require flexible and extended hours care. A key advantage of this type of care is its flexibility and it can include long day care, occasional care, part-time care, before and after school care, emergency care and vacation care.

An expansion of in-home care, which also meets the needs of flexible and extended hours care, could assist to address flexibility in the child's home. Although not currently in scope of the regulations, it is a higher cost service delivery model and as such would place higher demands on the funding allocations to all families.

#### 5.4.2 *Play Observe Relate Support Extend (PORSE)*

ACA has examined the New Zealand Play Observe Relate Support Extend (PORSE) model of funded care. ACA considers that the PORSE model is similar to Australia's FDC and to a lesser extent, in-home care.

ACA does not perceive that implementation of the PORSE model would be of additional benefit to families when we already have strong flexible options. It is doubtful that the PORSE model would support the quality of regulated education and care that exists.

ACA does not support the introduction of an additional model that would be less regulated than other models under the NQF.

#### 5.4.3 *Extending the School Day*

Any decision regarding extending the length of the school day for workforce participation reasons should be undertaken in the best interests of the child. The OSHC sector already has an effective interface with schools allowing a degree of separation from formal schooling. The OSHC sector provides valuable care and recreation opportunities for children in an informal program whilst parents work or study.

#### 5.4.4 Occasional Care

There is a cohort of parents who wish to access hourly care for a small number of hours on particular days. LDC is unable to meet this need as services are unable to utilise the time before or after short-term care as staffing and general overheads apply to the entire day of care.

If this were to be imposed upon services, it would result in intense casualisation of the ECEC workforce, services would struggle to remain viable, cost of care would continue to spiral upwards and services would have difficulty in meeting the NQS requirements. Children attending care on an irregular basis would be disadvantaged as they would have no opportunity to form attachments and build relationships with their peers and would not have the beneficial involvement in the educational program.

Dedicated occasional care services did satisfy this need to a great extent and these services need to be reinstated to their former level whereby they provided care on a casual "occasional" basis only and not full time long day care.

Mobile Services play a valuable role in providing early learning and care in rural and remote areas however these services provide care on a spasmodic basis and families in these areas often still require long day care. FDC has been successful in these areas to a degree however the very remoteness of the area and the transience and scarcity of carers often leave rural towns with no form of formal care. Meeting supply in these areas will always remain a difficult task.

Whilst some community services and industry supported services operate in rural or remote areas these are often difficult to staff and viability is exacerbated by fluctuating population mass during times of natural disaster or seasonal harvests.

The private sector has attempted to meet this need but without government financial support none of these models will be sustainable in the long term.

#### 5.4.5 Employer Sponsored Childcare

In the late 1990's employer sponsored childcare was a growth area and for a significant number of large employers it was an attractive inducement for women to return to work after childbirth. Generous concessions by way of salary sacrificing and tax benefits made it attractive for employers and employees.

Over the past 12 years, many of the employer sponsored child care services, including those provided by various levels of government, have been outsourced to private operators at full cost recovery as employers found that providing childcare onsite was costly, a drain on their core business, without tangible positive business outcomes and did not necessarily meet the needs of their employees.

It has not been the resounding success that was envisaged as many parents wanted to place their child in a centre in their own community so that their children could build friendships with children with whom they would be going to school.

Work based care posed problems for the employee's partner in taking and collecting the child from care particularly if the employee parent was ill, the partner would have to drive significant distance to take and collect their child and if the parent left that employ, they were faced with moving their child to another childcare service.

Employer based childcare is unable to be delivered by many small or medium employers and as a result large employers have an unintended competitive advantage in the employment market.

#### 5.4.6 Nannies

ACA is recommending that the Australian Government do not proceed with subsidises to unqualified, unsupervised and unregulated people caring for children in private homes. Encouraging this type of care

by providing subsidies, will be at the expense of families who believe in, and are struggling to access, the early learning program benefits being offered by formal and high quality long day child care centres.

The money aimed for subsidising unregulated care is better channelled into ensuring disadvantaged families had access to early learning long day care centres.

The following are ACA's concerns:

- Nannies have no childcare qualifications. The courses available to nannies in Australia fall significantly short of the high standard set in long day care centres where educators have ongoing intensive training, professional development and all-day supervision;
- There is no educational content with nannies, as it is only child minding. Long Day Child services offer early learning programs and deliver universal access to pre-school. Children cared for by nannies will miss out on this essential early learning/development offering. This will put them behind their peers by the time they go to school;
- There is a lack of regulation. The homes where nannies provide care for the children are not subject to the regulations, inspections, standards and spot checks;
- Safety and hygiene are not regulated in their care setting. This includes meals, height of power points, open fireplaces, animals, cleanliness and entry of non-family adults and older children; which essentially puts children at risk. In January 2010, the Productivity Commission reported a dramatic comparison of the number of accidents leading to hospitalisation for children at home (37.9%) compared to a high quality long day child care centre (2%);
- Nannies are not for everyone. Those who engage nannies are mostly self-employed or small business owners who include nannies on their staff and the business claims the wages as a tax deduction. Many companies pay the nannies' salary as a fringe benefit to company directors and senior staff, and the tax is avoided here as well. Any subsidy to nannies would be an unfair impact for taxpayers; and
- There is no educational, personal and social development benefit for the child. This can potentially present problems to children with their transition to school.

As the intent of the NQF is to increase the quality of ECEC services to benefit all children it seems inconceivable that unqualified, unsupported nannies would be professionally prepared to step into a role that would suit the Australian Government funding model. With higher qualification requirements placed on the formal sector, permitting a weakening of the structure that may not meet the desired outcomes for children places considerable responsibility on decision makers.

ACA believes that there must be considerable debate as to whether government funding is designed to meet this need or to meet the needs of children for early intervention, socialisation and to accomplish the outcomes required for them to start their formal years of schooling prepared as confident and active learners. All of which they receive in an approved ECEC service.

71 per cent Respondents to the ACA *Parent Survey 2014*,<sup>32</sup> 71 per cent overwhelmingly support the same levels of quality regardless of settings.

**Table 6: ACA Parent Survey 2014 –Nannies accessing Australian Government Funding**

I want the quality of care to be the same, regardless of where it occurs	71%
I want reassurance that my financial support will not be reduced	63%
I want reassurance that other types of care are safe and reliable like approved childcare	60%
I want the same regulation of the childcare industry, regardless of how it is provided	56%
Higher qualifications of educators are important to me	38%

<sup>32</sup> ACA Parent Survey 2014, Australian Childcare Alliance, December 2013.



#### 5.4.7 Quality and Flexibility

Respondents to the *ACA Parent Survey 2014*<sup>33</sup> were asked to consider if they would trade-off quality for any reason. The overwhelming sentiment was that quality is important to more than 70 per cent of parents; however the results demonstrate that there are some families who would be willing to accept lower quality of service for specific needs.

The results indicated that:

- 71 per cent would not trade-off quality;
- 18 per cent would for preferred days and times of care;
- 15 per cent would for a lower cost per day per child;
- 13 per cent for a specific program, approach or philosophy;
- 12 per cent for a location more convenient to home; and
- 7 per cent for a location for convenient to work.

#### **Demand for Childcare**

It is recommended that under the current funding system:

13. The Australian Government alleviates the affordability burden of Australian families as a priority in the 2014-15 Federal Budget to address the devaluation in government subsidies to families over the past decade and the underestimated costs of early childhood reform.
14. That all levels of Government urgently address NQF cost pressures by deferring staff to child ratios changes until government has budgeted for increased funding to families during the scheduled period of implementation.
15. A model to provide free or no cost access to ECEC services is developed for children from vulnerable families including generational welfare families.
16. The Australian Government considers all potential funding models, including tax deductibility, on the principle of families being 'no worse off' than existing funding arrangements.
17. Taxation reform is considered to implement a more equitable employer sponsored childcare model by providing the employees of all businesses with salary sacrifice options (without fringe benefit implications) for use of childcare of their own choice.
18. Improve flexibility by extending the length of time that families can access Child Care Benefit hours.
19. The Australian Government only considers the extension of flexible models of care that are in-scope of the National Quality Framework.
20. That all levels of government consider outcomes for children before any determination to extend the school day and does so in consultation with the Outside School Hours Care (OSHC) sector and others.
21. All levels of government engage in considerable debate with the sectors, families and the wider community prior to allocating taxpayer funds to an additional informal care sector, for example nannies/au pair's.

<sup>33</sup> ACA Parent Survey 2014, Australian Childcare Alliance, December 2013.

## 6 Workforce issues

The ECEC workforce provides the backbone for quality education and care for children in Australia.

Educators and Approved Providers have struggled, since the implementation of the NQF, to meet workforce requirements, updated qualifications, sufficient and appropriate professional development to comprehend and implement the National Law, National Regulations and understanding of the quality improvement journey.

The sector has been diligent in their work with the new framework and ACA believes that rather than be subjected to public criticism for the results of the NQS through the A&R process and waiver systems, the sector should be congratulated for the significant change management effort.

ACA believes the reforms to staffing requirements were rushed with little or no consideration for the supply of appropriately qualified staff through the vocational and tertiary systems.

In some jurisdictions attempts have been made to bridge the immediate supply gap in addition to other support programs that directly address the integration of tertiary and vocationally qualified workforces, however a more systematic approach to workforce reform would have been welcomed by the sector.

There continues to be issues with the quality and appropriateness of graduates or those moving from the schooling sectors as the professions are fundamentally different (structured curriculum-based in the schooling sector and play-based in the early childhood sector). In many cases the graduates from the tertiary system have low levels of preparedness for the ECEC workforce.

### 6.1.1 Implementation of Staffing Ratios

Providers have been preparing for regulatory changes, including staffing ratios, since the introduction of the NQF. ACA Members report a range of initiatives, including:

- Ensuring all educators are studying towards a qualification (increased wages);
- Diploma educators upgrading qualification to degree (increased wages);
- Encouraging and supporting senior long term unqualified staff to commit to study for a qualification (increased wages);
- Paying for cost of qualifications for educators (cost to Approved Provider);
- Advertised regularly and widely (cost to Approved Provider – extensive);
- Attempted to engage additional staff to gain qualifications to meet the 50 per cent qualified requirement in 1 January 2014 (payment of additional staff);
- Prepared a workforce development plan for their business (cost to Approved Provider);
- Sponsored overseas workers (cost and commitment of Approved Provider);
- Recruited from interstate (cost for Approved Provider - moving);
- Above award incentives where possible e.g. additional holidays, over award payments; payment of study;
- Paid study time (cost to Approved Provider for replacement);
- ECT's required in services smaller than 25 places for 20 per cent of operating hours (cost to Approved Provider); and
- Diploma trained staff displaced by ECT from 1/1/2014 (loss of employment educators).

The effectiveness of many of these strategies has been dependent on the commitment and relationship between all parties. ACA is aware that Approved Providers make considerable investments in developing their workforce and up skilling and training educators to have them “poached” by large group services who do not appear to have the same commitment to investing in capacity building of educators.

### 6.1.2 Early Childhood Teachers

There is evidence to suggest that the difference in educational outcomes between ECT's and Diploma qualified educators is not significant and ACA does recognise the intrinsic value that all qualifications bring to the ECEC sector.

Research<sup>34</sup> indicates that children experience no advantage or disadvantage when different levels of qualified practitioners deliver a preschool/kindergarten program. That is, there is no advantage or disadvantage between an ECT and an experienced diploma trained teacher.

The paper **Early Bird Catches the Worm: The Casual Impact of Pre School Participation and Teacher Qualification on Year 3 National NAPLAN Cognitive Tests** P.27 4.4 The Role of the Pre-School Teacher Qualifications states "Among children who had attended a pre-school program in the year prior to formal schooling, average NAPLAN scores were highest among those whose pre-school teacher had a diploma-level qualification in early childhood education or child care, and lowest for those whose teacher had only a certificate-level qualification. Compared to children whose pre-school teacher had a diploma-level qualification, average NAPLAN test scores were slightly lower for children whose pre-school teacher had a degree qualification. However for most domains this difference is not statistically significant." P.28 "...At the cut point between Bands 5 and 6, children who attended pre-school with a teacher with a degree qualification in early childhood education had average test scores 19 points higher than children who had not attended pre-school, and children whose pre-school teacher had a diploma level qualification had test scores 25 points higher than children who had not attended pre-school."

P.35 "In terms of later (NAPLAN) outcomes, preschool teachers/carers should have at least a diploma level qualification for maximal program impact."

ACA remains unconvinced of the benefits to children by employing additional ECT by 1 January 2014 and another by 1 January 2020. An alternative approach is to provide more professional development to diploma-qualified educators or to encourage them to up skill allowing them to continue with the exemplary work to which they are so dedicated.

The transition of exceptional diploma-qualified staff into other qualifications would also address the existing retention issues by services. Reports indicate that turnover is as high as 25 per cent per annum throughout all parts of the sector (private, community and not-for-profit).

When ECT's have worked within a long day care service during or prior to completing their university studies, they appear a better fit for long term employment than an ECT straight out of University with no practical, hands on experience in the LDC sector.

There is a considerable difference between "care" and "education" and integrating these two components continues to be a workforce challenge that has not been fully addressed. Families whose children attend a LDC service expect a high level of care combined with early learning, challenging the skill sets of many tertiary graduates.

### 6.1.3 Workforce Shortages

ACA Members continue to report challenges in the attraction and retention of Early Childhood Teachers throughout Australia. 73 per cent of respondents to the *ACA Member Survey 2014*<sup>35</sup> indicate that recruitment of suitable teachers was the primary workforce challenge.

<sup>34</sup>Early Bird Catches the Worm: The Casual Impact of Pre-school Participation and Teacher Qualification on Year 3 NAPLAN Cognitive Tests: Diana Warren and John P. Haisken-DeNew MIAESR, University of Melbourne

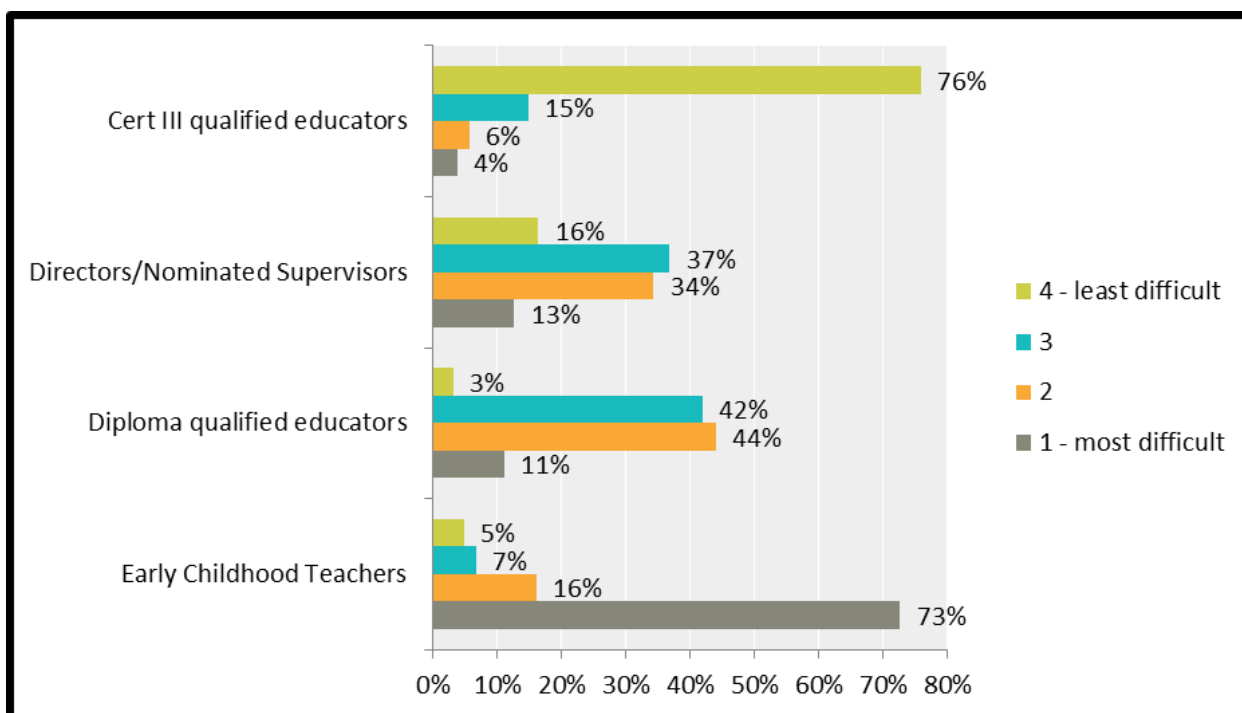


Figure 11: ACA Member Survey 2014 – Services experiences - most challenge type

The regulatory requirement to employ an Early Childhood Teacher by 1 January 2014 has created a burden of services needing to apply for a waiver and should be alleviated.

ACA supports the current ECT transitional provisions for other qualifications and 'studying towards' being acceptable until 1 January 2016 (regulation 242). ACA is seeking an extension of this provision until such time as there is evidence that there is sufficient supply of ECTs nationally.

The National Law provides for a process for centre-based services to apply for temporary waivers, including in situations when an ECT cannot be sourced. Whilst generic information on this process has been made available by ACECQA, some State and Territory jurisdictions provide additional information to assist services in demonstrating what constitutes "reasonable efforts" to fill a vacancy at their service.

In the case of NSW, the ECEC Directorate has provided quite prescriptive information as to the content of the advertisement, which has resulted in services requiring quite lengthy - and hence costly - advertisements over a period of three months.

Whilst recognising that advertising is just one of the factors considered when a waiver application is assessed, it does highlight the varying expectations of State and Territory jurisdictions and lack of consistency in implementation of the National Law.

In rural, remote and some regional areas it is almost impossible to recruit qualified educators. This problem is now at a critical stage as their option to recruit unqualified people is non-existent (that is the conclusion of Regulation 126).

It is very common for these services to advertise for months on end (at considerable expense) without receiving one applicant. It is difficult to recruit qualified educators and in particular ECTs in most areas throughout Australia. OSHC services find it extremely difficult to recruit any person but in particular qualified educators due to the part-time nature of the work and the split shifts involved.

<sup>35</sup> ACA Member Survey 2014, Australian Childcare Alliance, January 2014



Approved Providers very often find themselves in a position where they have no choice but to recruit, regardless of the suitability of the applicant. This is not conducive to attaining the required outcomes for children and the high quality care desired and it undermines the intent of the NQF.

#### 6.1.4 Vocational Training Quality

Reports of poor quality training outcomes in the early childhood sector are well documented by the Australian Skills Quality Authority (ASQA) to State and Territory departments responsible for the vocational education and training (VET) sector.

Employers in the child care sector discuss the poor quality of graduates at industry forums and with their professional associations as one of the most significant impacts on their ability to meet the NQS.

For example, in South Australia on 21 November 2013 the Department for Further Education, Employment, Science and Technology (DFEEST) called a meeting of employers and sector representative to discuss increasing concern of the high number of people gaining Certificate III level childcare qualifications who are unable to gain employment.

Of the 7,077 enrolments, only 3,172 have been able to gain employment. The remaining 3905 were unemployed or underemployed receiving welfare payments from the Australian Government<sup>36</sup>.

A critical point of discussion at this forum was the capacity of the training sector to support the volume of students whilst maintaining quality graduate outcomes.

The meeting highlighted the poor quality of the training from a number of RTOs and the employers brought numerous examples of Certificate III graduates who could not read, write or even speak English. Employers also cited a number of incidences where they interviewed potential employees only to find they had their qualification but have never done a placement or attended an ECEC service.

Of concern to the quality and safety of educators are the Diploma qualified staff that are unable to effectively and efficiently care for children after graduating. ACA members report that this is becoming a more regular occurrence as the level of achievement is less onerous and the amount of "hands on" experience of full time and some part time students is limited.

With the requirement to engage 50 per cent of educators with a qualification, these new Diploma entrants will be employed despite their abilities, to ensure that the service is meeting regulations. Members have expressed concern on this issue and are providing additional supervision, professional development and training to ensure the safety and wellbeing of children prior to permitting them to work in the position for which they have a qualification.

The apprenticeship model where the student is trained whilst working in a long day care centre proves a better outcome for the student, the children and employers. The student's future workforce participation and value as an Educator is enriched.

ACA supports ASQA's announcement on 23 January 2014 that they will be undertaking a strategic review of training in ECEC sector. ASQA intends to review 18 RTO providers in the ECEC sector Australia wide. ACA is concerned that this number is not substantial enough to make a difference in overall service delivery.

ACA is also concerned with the large cohort of Culturally and Linguistically Diverse (CALD) educators who are gaining their qualifications through unscrupulous intermediaries who 'RTO shop' for an organisation that will supply a Certificate III for short timeframes, such as 6 weeks.

<sup>36</sup> Data supplied by the Department for Further Education, Employment, Science and Technology and is correct as at 25 October 2013.

These intermediaries are very open about the fact that their clients or students do not speak or understand English proficiently and are seeking the RTO to bypass training and assessments in lieu of payment. One RTO (name may be provided) has had three such intermediaries who, in these cases, were linked with a new FDC Scheme, approach them over a period of 2 months and has passed on these details to ASQA.

Unfortunately if/when they are able to persuade an RTO to work with them in this way these CALD groups, who are primarily women, find themselves with a qualification that is of little or no use to them. In most instances they find themselves tied to the particular FDC Scheme with little or no knowledge of their legal obligations in relation to ECEC in Australia.

Childcare centres usually do not employ these persons, as they cannot demonstrate the appropriate skill level to undertake the positions. This is unfair exploitation of women and the system. It undermines the high standard of care that we are striving to provide for Australia's children

#### *6.1.5 Recognition and Assessment of Competencies*

Whilst there is a case for recognition and assessment of competencies (that is, recognition of prior learning(RPL)), there will always be aspects of an educator's learning that requires them to complete competencies in the traditional manner. There is already a process of recognition of competencies through the RTO, which has proved to be problematic for ECEC services, ACA, ASQA and other Government agencies.

There is considerable and constant feedback from the sector with concerns that whilst the concept of RPL is admirable, the actual outcomes in relation to competent educators can be disturbing. This is a reflection of the quality of RTOs. There must always be a considerable component of time for on the job learning. There is no satisfactory short cut to circumventing formal qualifications if we are to have a high quality ECEC sector.

#### *6.1.6 The NQF effect on the Workforce*

The NQF came into existence when government and academia determined to raise the standard of education and care with little, if any, consultation with practitioners and service providers. The majority of services across Australia at the time were receiving a "High Quality" accreditation standard.

It is acknowledged that the standard quality body at the time, the National Childcare Accreditation Council (NCAC), had reached a level of maturity and was in need of review. However, the constant dialogue from government during the creation of the NQF was that they were "making no excuses for raising the bar."

The public and the sector did not understand why the 'bar' needed to be raised, whereas change to enliven the process and to evaluate the outcomes for children may have had the desired impact, particularly when combined with the EYLF.

Since the implementation of the NQF, practitioners have found that their previous knowledge has been discounted; thrust into an environment of change that has caused many to feel that their worth as an educator has diminished. Practitioners are increasingly confronted with demands on their practices and performance demands on accountability and increasingly their agency, choice of profession and self-actualisation.

It appears that their autonomy in decision making for the process, to gain the best outcomes for children, has been overtaken by the National Law and the National Regulations giving practitioners no power to negotiate – just adherence to the rules.

As the implementation process and the A&R visits has occurred, it has reinforced the sensitivity of a large portion of practitioners that their methods and teaching processes are flawed when their service received a "working towards" rating.

ACA believes that it is demeaning and unacceptable that a system designed by government and, that is fundamentally flawed and inequitable, can be introduced yet continue to proceed with governments and other stakeholders making statements supporting the systems validity. Practitioners needed time to analyse the changes; time to reflect on new practices; time to evaluate the outcomes for children under the new system and time to move forward.

### Workforce Issues

It is recommended that:

22. *Regulation 242 – Persons taken to be early childhood teachers*, which ceases on 1 January 2016, be extended until a time when the supply of suitably quality early childhood improves.
23. *Regulation 134 (b)* relating to a second early childhood teacher in attendance be rescinded and no longer considered a priority.
24. Practitioners, together with academics and government, should play a role in the design and delivery of future ECEC policy reform.
25. Stricter controls on RTO's are implemented to ensure that students and the sector are benefitting from funding by supporting students to be knowledgeable and capable to enter the ECEC sector as well as ensuring value for money on government investment.
26. A comprehensive audit of all registered training organisations, conducted by the Australian Skills Quality Authority (ASQA) in conjunction with the sector, to determine existing practice alignment to the quality aspirations of the national quality reform agenda.
27. A review of the approach to recognition of prior learning, in an early childhood context, be conducted with a greater emphasis on outcomes not expediency.
28. Funding considerations into the future take into account the results of the *Equal Remuneration Order* currently before Fair Work Australia.

## 7 Vulnerable and Disadvantaged Families

### 7.1 Early Intervention and Participation

There are vulnerable children in all communities with 23.5 per cent of Australian children<sup>37</sup> developmentally vulnerable in one or more of the five Australian Early Development Index (AEDI) domains (physical health and wellbeing, social competence, emotional maturity, language and cognitive skills, and communication skills and general knowledge).

Vulnerability of families can manifest for a brief time or can be permanent. In either instance the needs of the family and in particular the children must be addressed. If left unaddressed, the position of the family can slide into disadvantage, which then can become considerably more difficult to resolve.

ECEC services are a valuable community resource that is underutilised at the present time. More assistance can be given to those experiencing short-term vulnerability through Special Child Care Benefit. The thirteen-week period is often insufficient to resolve the issue and ACA suggests that further consideration be given to allowing this Benefit to be extended in cases of need.

ACA encourages government to take a universal approach to vulnerability and disadvantage to ensure that intervention processes can be targeted and ongoing in conjunction with the ECEC service and external agencies and not be dependent totally on one 13-week intervention period.

Respondents to the *ACA Member Survey 2014*<sup>38</sup> overwhelming identified affordability as a barrier to participation for vulnerable and disadvantage families in their interactions with families in their communities. 69 per cent of respondents identified affordability and 51 per cent of services citing a lack of understanding (and value) for the importance of ECEC in the development of their children.

The Productivity Commission has previously confirmed that the increased costs of the NQF may push fees beyond the reach of disadvantaged families<sup>39</sup>, predicting an increasing number of disadvantaged children being unable to participate in ECEC services. The Commission also suggests appropriate funding from Government may be required to maintain access for disadvantaged children.

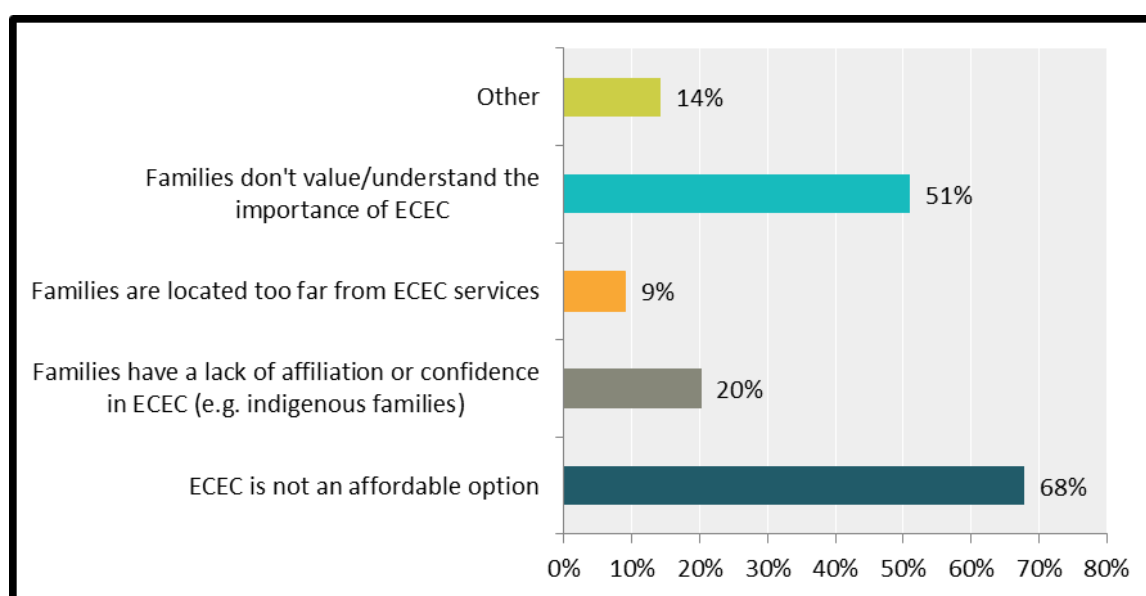


Figure 12: ACA Member Survey 2014 – Barriers to participation for vulnerable and disadvantage families

<sup>37</sup> AEDI National Report 2012, A Snapshot of Early Childhood Development in Australia 2012, Australian Department of Education, Employment and Workplace Relations

<sup>38</sup> ACA Member Survey 2014, Australian Childcare Alliance, January 2014

<sup>39</sup> Productivity Commission Research Report – Early Childhood Development Workforce, Productivity Commission, November 2011.



“For Governments, early intervention through the provision of early childhood services is an important instrument for reducing the negative developmental impacts of disadvantage, and disrupting patterns of poverty and inequality that begin in early childhood” (PWC 2011 A Practical Vision for ECEC p13).

High quality educational programs, while shown to increase the life chances of children, have the greatest effect on those who are disadvantaged (OECD 2006 Starting Strong II: Early Childhood Education and Care) and the absence of a quality program commonly predicts poor progress (Effective Provision of Preschool and Primary Education 2007 Influences on Children's Attainment and Progress in Key Stage 2).

Cost, however, continues to be a common barrier for families accessing ECEC. In Professor Karen Thorpe's 2011 report on Accessing Kindergarten in Queensland, parents expressed the view “that they were denied their child's right to early education because they had to choose between eating and fees” (Thorpe, Vromans, Bell-Booth, Accessing Kindergarten in Queensland: A Report to the Queensland Office for Early Childhood Education and Care (p25).

## 7.2 Support Programs

### 7.2.1 Special Child Care Benefit

The Australian Government currently provides assistance through the Special Child Care Benefit (SCCB). However, this funding is time limited and only applies if a child is at risk of serious abuse or neglect or a family is experiencing an exceptional case of short term financial hardship that has substantially reduced their capacity to pay child care fees. As an early intervention strategy to ensure the participation in quality ECEC of children from economically disadvantaged backgrounds, a specific purpose subsidy is required for families' fees on an ongoing basis.

### 7.2.2 Inclusion Support Subsidy

For children with additional needs, participation in high quality ECEC services is particularly important for learning and development. In late 2011, the Productivity Commission observed the proportion of children with additional needs appears to be increasing; however, they are currently underrepresented in ECEC.<sup>40</sup> The Australian Government provides the Inclusion Support Subsidy (ISS) to childcare services for the purpose of supporting children with ongoing high-support needs. However, the Productivity Commission determined the current level of program funding and support to be inadequate to ensure this cohort of children benefit fully from the reform agenda under the NQF.

Services are reporting increasing numbers of children with additional needs – diagnosed and undiagnosed. Many of these conditions can be competently managed with a Health Management Plan and support from families and external agencies whilst others that present with more complex issues are difficult for a service to manage.

Educators may be challenged when dealing with children with complex additional needs and have concern as to their legal liability. Educators are not trained as health workers and as such expectations that they carry out invasive procedures and deal with issues where they do not feel confident or safe, are unfair and unrealistic.

A small number (5 per cent) of respondents to the *ACA Parent Survey 2014*<sup>41</sup> indicated that they had a child with additional needs in a long day care service. Of concern was that of these respondents 40 per cent felt that no additional support was provided to meet the needs of their child.

<sup>40</sup> Productivity Commission Research Report – Early Childhood Development Workforce, Productivity Commission, November 2011.

<sup>41</sup> ACA Parent Survey 2014, Australian Childcare Alliance, December 2014

Of the respondents indicating that their child received additional support, the following is how they rated that various aspects of the support:

- 83 per cent indicated that the staffing in the service is very good/good;
- 71 per cent indicated that the resources available to the service is very good/good;
- 68 per cent indicated that the equipment available is very good/good; and
- 55 per cent indicated that advice from experts available is very good/good.

The Productivity Commission has previously identified Government funding was limited, short-term, not commensurate with staffing costs and onerous to apply for and maintain, making it challenging for services to recruit and retain qualified inclusion support workers<sup>42</sup>. Serious program inadequacies were found to be impacting on children with additional needs participating in ECEC; a situation already well known to long day care services, staff and families.

ACA is concerned that:

- The hourly rate for inclusion support workers, is approximately 35 per cent less than a Certificate III qualified carer with three years' service under the Children's Services Award;
- Access to ECEC by way of funding being provided for only five hours per day is extremely limiting. Applications for extended hours of funding is extremely difficult to get approved;
- Funding for children with additional needs cannot be applied for prior to their commencing care and the application and approval process can take up to 12 weeks, therefore impacting on their transition into ECEC;
- There is a disjuncture between this cap of 5 hours per day and the 15 hour requirement of the universal access initiative, which is delivered by long day care services in some jurisdictions ;
- The application system, with its series of repetitious reviews is obstructing rather than facilitating access to quality ECEC for children of all ages needing inclusion support. Attaching continual funding to individual children in need would ensure far superior and more flexible support while also saving the Australian Government considerable dollars;
- There is an over emphasis on funding diagnosis rather than dedicating sufficient program funding to support the needs of children while attending the ECEC service. Current practice does not take into account that families of young children are often reluctant to move quickly towards diagnosis for fear of their child being 'labelled'. It is often the early childhood educator at the ECEC service who first identifies developmental concerns. It is difficult to have a diagnosis for specific health concerns prior to the child reaching three years of age. Services require a backup program to ensure that all children with a perceived additional need are assessed to give them the best possible opportunities for when they enter the formal school sector.

<sup>42</sup> Productivity Commission Research Report – Early Childhood Development Workforce, Productivity Commission, November 2011.

### Support for Children with Additional Needs in Long Day Care

**Example 1:** A three year old child with moderate autism was accepted by this private long day care centre which then applied to Inclusive Directions for support. In the meantime, it received flexible support funding (FSF) as an interim support for 100 hours at \$16.92/ hour compared with the actual rate of pay for an experienced Certificate 111 Educator which with staff on-costs of 25 per cent became an actual cost of \$24.65/hour – a gap of \$7.73/hour. The child is booked in 5 hours a day for 5 days a week. The Centre meanwhile had immediately applied for ongoing Inclusion Support (IS) which takes about 4 weeks to obtain. This was eventually granted for 5 hours a day at \$16.92/hour. The IS has to be re-applied for every time the child changes rooms. The application process is demanding and time consuming and each application requires 3-4 hours of the Director's time. In this case the direct ongoing cost to the centre for providing support for this special needs child for 5 hours a day for 5 days a week is \$193.25 per week (\$10,049/annum). This is a major disincentive for ECECs to provide support for additional needs children

**Example 2:** A three year old child with a congenital hip dysplasia had a major operation which has resulted in full hip/leg cast and is largely immobilised, was accepted by this private long day care centre which used the 100 hour FSF support while it applied for Inclusion Support. The child is booked in 3 days a week for 8 hours so the FSF support ran out after 4 weeks. The application to Inclusive Directions was rejected for reasons unknown and has become the subject of dispute. After further consultation the Centre has reapplied with the full support of the Inclusive Directions staff. So far there has been no approval granted and so the Centre is receiving no ongoing support and is meeting the full cost of the additional support staff in the room which is \$591.60 per week or \$30,763 per annum. This is a very major disincentive when well -intentioned ECEC support for a special needs child has to run the vagaries and unpredictability of department approvals.

**Example 3:** A member centre set out on a deliberate policy to offer increased support for children with additional needs. There were great benefits to these children and their families. However, it created a financial crisis for the Centre. In 2012-13, the centre's finances were impacted by a loss of \$80,000 in unrecovered staff costs resulting directly from the provision of staff to the attending children with additional needs. This unsustainable loss forced the centre to reduce and cap its involvement with children with additional needs but will still result in a further loss of \$48,637 for 2014. This ongoing level of loss is unsustainable and threatens the centre's financial viability. The loss arises from the limit of the hours funding can be obtained (5 hours per day) and the FSF/IPSP support level of \$16.92 per hour compared with the actual cost, including 25 per cent on-costs of \$24.65. That is a loss of \$7.73 per hour.

**Example 4:** A long day care service in the Sydney metropolitan area currently has six children with additional needs enrolled at the service. Given the high support needs of the children, the service applied for Inclusion Support Subsidy (ISS) funding. The ISS is designed to assist education and care services with the inclusion of children with ongoing, high support needs, such as children with a disability, children formally diagnosed with a disability and refugee children. The service's ISS funding application was successful, with the service receiving funding of \$16.92 per hour, for a maximum of five hours per day. This compares with the actual rate of pay with 25% on-costs of \$24.65 – a gap of \$7.73 per hour. The children with additional needs at this service attend in each of the three rooms for 50 weeks per year so an additional 3 staff are required. Given the ISS funding constraints (hourly rate plus cap of five hours per day), the service is continuing to cover costs of approximately \$28,987 per year to ensure these children can be included and supported, consistent with the service's strong philosophy of including and supporting children with additional needs.



### 7.2.3 Rural and Remote

FDC, small long day care services (mainly not-for-profit) if supported by sustainability subsidy can operate with some success (dependent on workforce availability) in more isolated regions.

The Productivity Commission<sup>43</sup> found that most non-mainstream services are provided by not-for-profit organisations and are delivered mainly in rural, remote or Indigenous communities. They provide access to ECEC where the market would otherwise fail to deliver any ECEC services. They include:

- flexible/innovative services
- mobile ECEC services
- crèches including Jobs, Education and Training (JET) crèches (DEEWR ndb).

ACA remains of the view that our ACA Members would face viability issues in attempting to provide these services and as such support additional financial to services able to meet the needs of these communities.

*Access to early childhood education in Australia: Baxter and Hand<sup>44</sup> reports that:*

*The analyses confirmed the expectations of the stakeholders and also the findings reported in the literature that children missing out on ECE are more often represented among disadvantaged families, and among children who are perhaps in greatest need of ECE in respect of preparing children for school... Children living in remote areas had the lowest levels of participation in ECE compared to those living in major city areas. There was also some variation according to the disadvantage of regions, but it was not clear that this reflected the characteristics of the regions or the families living within those regions.*

*We did find that there tended to be more variation in participation in ECE by these characteristics in the eastern states—the states in which ECE is more often provided through LDC. That is, there were greater differences in participation between the least and most vulnerable children in the eastern states than in the other states.*

### 7.2.4 Women returning to the Workforce

The Jobs, Education and Training (JET) Child Care Fee Assistance Program has provided substantial assistance for women wishing to re-enter the workforce. The childcare contribution by mothers accessing this scheme was 10 cents per hour. This funding was eroded by the action of the previous Labor Government when the 10 cent per hour parent contribution was increased to \$1 per hour.

This in practical terms meant that a sole parent accessing 36 JET hours of care would be paying \$36 instead of \$3.60. This has presented mothers with significant hardship. The process for applying for and approval to receive JET is long and tedious and ACA understands that there may have been misuse of the funding in some cases over prior years.

ACA requests that Government ensures processes are put in place through Centrelink so that genuine participants comply with requirements.

### 7.2.5 Grandparent Child Care Benefit

This ECEC program supports many Australian grandparents their care of their young grandchildren.

In Australia the number of grandparents assuming full responsibility for the raising of their grandchildren is increasing. For many grandparents, besides this being a stressful family circumstance, it also is a

<sup>43</sup> Productivity Commission Research Report – Early Childhood Development Workforce, Productivity Commission, November 2011.

<sup>44</sup> Baxter, J. & Hand, K. (2013). *Access to early childhood education in Australia*. AIFS Research Report No. 24. Australian Institute of Families Studies: Melbourne



huge impost on the lives of the grandparents/great grandparents who find themselves with small children to raise at a time when their energy levels, health levels and understanding of 0–5 year old children's needs are challenged.

For the grandparents who access the GCCB it provides not only respite for them, but provides the children who in most cases have been traumatised by the events leading to the separation from parents, with the ability to be children, to learn through play and to make meaningful friendships in a secure stable environment.

This is a significantly successful support program. ACA Members, however, report many grandparents still struggling with the care of their grandchildren and are unable to gain support through GCCB as their own children refuse to sign the full care authority over to the grandparents.

## Vulnerable and Disadvantaged Families

It is recommended that:

29. The Australian Government maintains the *Special Child Care Benefit* with a more flexible timeline and the *Grandparent Special Childcare Benefit* as a specific purpose subsidy.
30. A targeted *early intervention subsidy* is implemented to fully fund the ECEC fees of disadvantaged and vulnerable children, with funding ongoing until a child starts school, administered via CCMS.
31. The Australian Government works with the sector to develop the eligibility criteria for an early intervention subsidy, targeting Indigenous, culturally and linguistically diverse, refugees, parents with mental illness and families who are experiencing generational welfare issues.
32. The Australian Government restore affordable funding for families receiving *JET Childcare Fee Assistance Program*.
33. The Inclusion Support Subsidy Program is reviewed to:
  - I. Increase the ISS subsidy and pay the actual wage of the support worker;
  - II. Increase the subsidy hours to cover the child's time in the ECEC setting;
  - III. Ensure that services with children with high needs are able to access support staff who are qualified in special needs care.
  - IV. Attach funding to the child in need and ensure that it is continuous and portable should the family relocate;
  - V. Remove the existing cap of five hours per day for inclusion support to enable all children to participate in an approved ECEC program;
  - VI. Address the need for all children to have received a medical diagnosis for the child to be approved for ISS to ensure that all children can effectively participate in ECEC as early as possible;
  - VII. Develop specific strategies to progress the ECEC Workforce with specialist inclusion support skillsets;
  - VIII. Undertake consultation with the sector to develop and design a system of enhancement to current program prior to changing any program guidelines;
  - IX. Provide a backup program to support services to work with families who are not willing to have a child assessed; and
  - X. Encourage the schools to engage with the ECEC sector to transition the information on each child's development without being in breach of the Privacy Act.
34. The Australian Government acts immediately on the Commission's recommendations in Chapter 9 of the Early Childhood Development Workforce Report including a program review.

## 8 Role of Government

### 8.1 Role of the Australian Government

The Australian Government has contributed significantly to the development of an ECEC sector and has assisted parents to re-enter the workforce whilst their children acquire essential skills and abilities during their early years.

Research unequivocally highlights the importance of the early years on children's development and as a significant determiner of their success and wellbeing throughout life. Early brain development is crucial from birth to four years to ensure children's ability to form secure attachments and set the foundation for them as significant contributors to their community and Australia's economy.

The Australian Government has acknowledged<sup>45</sup> the importance of the early years through its facilitation of funding to ensure the provision of high quality care education and care service programs.

*Both nature and nurture (genes and environment) influence our children's development. The quality of children's earliest environments and the availability of appropriate experiences at the right stages of development are crucial determinants in building the brain's architecture. Supporting environments that promote optimal early childhood development greatly increases children's chances of successful transition to school; achieving better learning outcomes while at school; and, better education, employment and health after school*

*AEDI – A Snapshot of Early Childhood Development in Australia*

The responsibility of the Australian Government should be to deliver broad based policy that underpins quality, affordability and accessibility for ECEC for Australia's children.

It is the Australian Government's role to ensure that funding is adequate to enable all families to access an ECEC program for their children, regardless of their status in the workforce.

Funding should be allocated to families to ensure that all children receive the benefit of an ECEC program prior to school. Families from vulnerable and low socio economic circumstances should be a priority for inclusion.

In addition, the Australian Government has a responsibility to fund special support programs for families and education and training programs for the early childhood workforce. Whilst the Australian Government invests significant taxpayers money in training programs for early childhood workforce, there needs to be a more rigorous review and monitoring of how effective the programs are and how broadly they are accessed by the early childhood sectors.

ACA believes that the role of the Australian Government has diminished since the introduction of the National Law and National Regulations and it now holds a significant funding burden with less control over the performance and future shape of the sector as this now falls under the responsibility of State and Territory Ministers through the Standing Council structure.

<sup>45</sup> AEDI National Report 2012, A Snapshot of Early Childhood Development in Australia 2012, Australian Department of Education, Employment and Workplace Relations

## 8.2 Investment in ECEC

Australian families value an affordable childcare system that allows parents to have children whilst pursuing their careers and see the role of government as important to ensuring quality childcare is affordable. Approximately 74 per cent of respondents in the *ACA 2014 Parent Survey*<sup>46</sup> indicated the roll was 'very significant'.

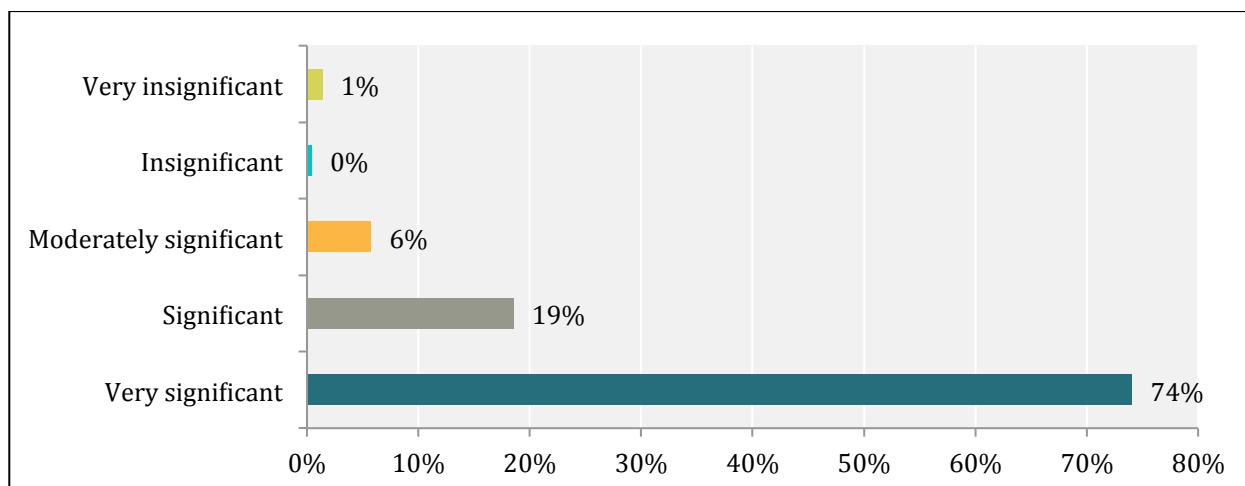


Figure 13: ACA Parent Survey 2014 – Role of government in ensuring quality childcare is affordable

Historically, government has invested funds to stimulate economic growth, drive female workforce participation and increase productivity to sustain our ageing population. A Grattan Institute Report in 2012<sup>47</sup> indicates that the portion of population over 65 is expected to reach 25 per cent by 2050 up from 8 per cent in 1971. This alone highlights the need to continue to support strategies that positively impact workforce participation in the future economy.

The economy is at a critical junction with labour force underutilisation increasing to 13.7 per cent as at November 2013 and this is reported to be higher than during the Global Financial Crisis.<sup>48</sup> John Black, CEO of Australian Development Strategies reports that:

*Female workforce participation (67 per cent) is significantly lower than male workforce participation (78 per cent). Only 55 per cent of females work full time, compared to 85 per cent of males.*

The OECD report reveals “67 per cent female workforce participation is above OECD average.... However, joblessness among sole parent families is a significant problem. While it has increased since the early 2000s, at just over 50 per cent in 2009 the sole-parent employment rate is one of the lowest in the OECD, which contributes to an above average poverty rate for sole-parent families. This issue is of particular concern as around one in 5 children live in such households, and projections show that the number is likely to increase by 20 per cent over the next 25 years.”

The Grattan Report<sup>49</sup> recognises the value of female workforce participation to the economy:

*“Removing disincentives for women to enter the paid workforce would increase the size of the Australian Economy by about \$25 billion per year. The most important policy change is to alter access to Family Tax Benefit, and child Care Benefit and Rebate so that the second income in a family – usually, but not always, a mother – takes home more income after tax, welfare and child care costs.”*

<sup>46</sup> Insert Parent Survey Reference

<sup>47</sup> Grattan Institute 2012: Game changers; economic reform policies for Australia (Page 38)

<sup>48</sup> John Black: The Australian January 4<sup>th</sup>-5<sup>th</sup> 2014: Green tinge to Labor's Legacy

<sup>49</sup> reference



Targeted funding of programs for ECEC that attain the desired outcomes for increased female workforce participation, and quality education and care programs for children will be cost positive to Government in the long term both economically and socially.

The Stronger Families and Communities Strategy Evaluation<sup>50</sup> it is noted from a paper delivered by Jay Martin titled “An assessment of the contribution of child care to the Australian economy” that:

*Against a total Australian Government expenditure of \$1646 million in 2001–02 on child care, the annual value of the child care sector to the Australian economy, as defined and presented here, is estimated as follows:*

- *total economic activity = \$18 801 million*
- *total income taxation generated = \$1615 million*
- *direct return to the Australian Government Budget, through taxation revenue and savings to social assistance outlays, less child care funding commitment = \$3064 million;*
- *Breaking down these figures further, we can estimate that:*
  - *every dollar spent on child care returns total economic benefits of \$12.28*
  - *every dollar spent on child care directly and indirectly supports earnings of \$5.63*
  - *a dollar spent on child care returns \$1.86 directly to government’s bottom line, in the form of increased taxation and reduced government outlays.*

*These figures are not dissimilar to the results of many international studies. Returns to the government budget, per dollar spent, have variously been estimated at \$1.56 in San Antonio, Texas; \$1.50 to \$3.00 for the US in total; \$1.54 in North Carolina; and \$2.00 in Canada. The differences in methodologies used, as well as fundamental differences in the taxation, social security and child care systems in Australia and North America means that the figures cannot be directly compared. However, they demonstrate a clear pattern—spending on childcare has consistently been shown to more than pay for itself.*

*While parents spend money on childcare, it can also be seen that they also have a substantial net gain for this investment. Specifically for every private dollar spent on child care, parents are, on average, at least \$2.86 better off in terms of disposable income after accounting for income tax liabilities, government benefits foregone and the private costs of child care.*

ACA is not aware of any updated data and believes that further research should be urgently conducted by the Treasury to determine return on investment. Previously studies provided considerable evidence that childcare funding outlaid by government was a net positive investment and should be seen as an investment in productive activity rather than a social outlay.

The Australian Government must continue to play the lead role in the provision of high quality ECEC services in order to build sound social capital and secure the economic future of our country.

The OECD 2011 Report<sup>51</sup> statistics indicate (below) where Australia is placed in comparison to other OECD countries on expenditure in childcare services:

*Despite above average public expenditure on families, Australia spends less on childcare services than most OECD countries: 0.4 per cent of GDP compared with the OECD average of 0.6 per cent. This has contributed to low childcare enrolment rates for young children, with only 40 per cent of children aged less than six years enrolled in formal childcare. Australia should consider extending its childcare support programmes to provide more help to working parents.*

<sup>50</sup> The Stronger Families and Communities Strategy Evaluation: FaCS Research New 18: March 2004

<sup>51</sup> Organisation for Economic Co-operation and Development. (2011). *Better policies for better lives: The OECD at 50 and beyond*. Paris: OECD. Retrieved from <http://www.oecd.org/about/47747755.pdf>

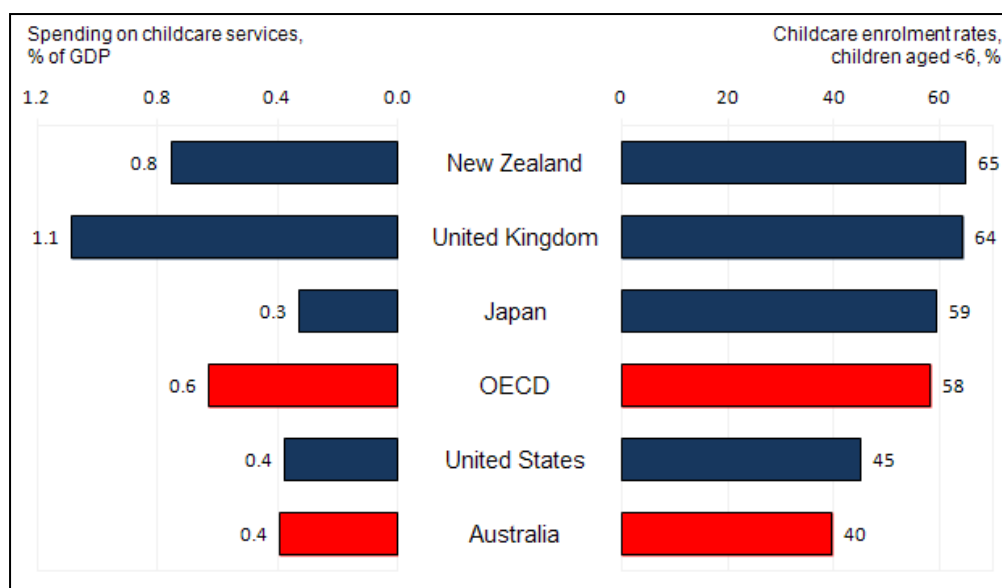


Figure 14: Spending on childcare services, % of GDP, OECD Report 2011

The Australian Government needs to reconsider the overall funding allocation for the ECEC sector. It is disappointing that the scope of this review is limited to the existing funding allocation as overarching reform is required. Government needs to consider significant reform rather than modification to an existing and fractured system. This is an opportunity to build a sustainable model that capitalises on the substantial social and economic investment for the next generation of Australia's children and their families.

ACA recommends that Australia increase public expenditure on childcare services through investments that ensure families can access high quality and affordable early learning programs for their children. For this investment to impact positively on children currently in their early years the Australian Government must deliver additional funding immediately while undertaking overarching reform to ensure the future viability and sustainability for the sectors, early childhood education and care for children and workforce participation for parents.

### 8.3 Role of SCSEEC

ACA is concerned that existing governance structure overseeing the ECEC system in Australia, led by the Standing Council on School Education and Early Childhood (SCSEEC), is cumbersome and unresponsive to the needs of the sector.

ACA considers the range of issues considered at SCSEEC too broad (particularly given their national significance) and as a result Members of SCSEEC are unable to engage in and fully consider ECEC issues. This is not a reflection on the Members of SCSEEC individually, but rather a result of the extent of the reform agenda in both school education and ECEC.

The existing system provides limited opportunities for the sector to raise matters of importance and no opportunity to provide direct advice on the future of the sector to decision makers. ACA acknowledges the recent decision by the Council of Australian Governments (COAG) to streamline and transition SCSEEC to a new council and the increased emphasis on deregulation is considered appropriate.

A key issue is that in many circumstances Members of SCSEEC are provided advice from their respective State and Territory Departments, who also act as the regulatory authority under the National Law. This conflict is compounded by advice from the ACECQA that, in the view of ACA, makes decisions by national consensus in conjunction with regulatory authorities rather than the sector.

It is recognised that in the pursuit of a national system, collaborative decision making is an important progression, however it has come at a significant cost to the sector struggling to implement elements of reform that do not contribute to quality outcomes for services or children.

Since the introduction of the NQF, ACA and State and Territory Associations have been advocating for changes to specific aspects of the National Regulations. A pertinent example is the Certified Supervisors provisions that are costly and have delivered no real benefits.

As at 30 September 2013 a total 68, 757 certified supervisor certificates were issued, largely at a direct cost to educators, totalling an impost of more than \$2.06 million. This does include the cost to State and Territories of processing applications, a cost which is presumed far greater than the revenue returned.

ACA has been advised these provisions are under review, requiring the drafting of amendments to the National Law and/or National Regulations followed by endorsement from SCSEEC that will take until, at least, January 2015. This is an example of the governance arrangements preventing sensible decision-making and creating considerable waste. No interim arrangements have been put in place to cease this waste and it is understood that this will continue until the National Law is amended.

#### **8.4 Role of ACECQA**

The role of the ACECQA requires clarification. Through regular engagement with ACECQA, it appears the organisation has limited scope to act independently, address deficiencies in the National Law and National Regulation and is restricted to consensus decisions that often reflect the objectives or views of individual jurisdictions rather than nationally consistent approaches.

A range of recent initiatives, including the ACECQA Conference and 'Excellent Tour' were seen as wasteful and self-indulgent initiatives that failed to address critical issues such as weaknesses in Quality Area 1 (Programming and practice), Quality Area 3 (Sustainability) and Quality Area 6 (Collaborative Partnerships with Families and Communities). ACA believes that ACECQA workforce has insufficient practical experience to deal with these issues and because of the governance implications is not in a position to provide leadership to the sector.

As a result, the existing arrangement only provides an additional layer of bureaucracy with limited contribution to the quality agenda.

ACA believes the role of ACECQA needs review before jurisdictions consider an extension to the National Partnership on the NQA. The functions and scope of ACECQA operations need to ensure there is strong return on investment to all governments and the sector as well as clear lines of accountability. The current model addresses neither of these issues sufficiently.

#### **8.5 Role of the State and Territory Governments**

All ECEC stakeholders report difficulties collaborating with jurisdictions on policy, regulatory and quality issues as bureaucracies claim diminished influence under the current legislative arrangements. This 'lack of influence' is a key challenge for the sector as limited accountability leads to convoluted engagement and negotiations.

State and Territory Governments are a key aspect to the implementation of the National Law and National Regulations and are inconsistent in their approach, particularly with respect to their role as 'Regulatory Authority'. There are inconsistencies between jurisdictions and between regions within jurisdictions.

There is also an inconsistent approach and level of commitment to a range of issues such as quality improvement, regulatory consistency, coverage (particularly in Western Australia) of the National Law and Regulations, approach to Assessment and Rating and prosecutions for breaches of the National Law.

## 8.6 Role of Local Government

Members' interactions with Local Government tend to be focused on plans, policies and strategies that apply to future development within the relevant local government area. ECEC services are required to meet a range of local government requirements regarding the development and planning process

Whilst some local government authorities include as part of their social impact assessment an analysis of the needs of residents and workers in relation to ECEC services, as well as assessments on the likely impacts of a proposed development on existing services/facilities (e.g. The Hills Development Control Plan 2012<sup>52</sup>), there is no central repository of planning and demographic data of relevance to current and future planning within early childhood education and care.

There is scope to leverage off existing online tools such as the NSW Department of Planning and Infrastructure's Population and Housing Projections website<sup>53</sup>, which provides population projections, age changes and key drivers of growth by region, to provide indications of future demand for ECEC services.

ACA believes that a more collaborative approach to planning within and across jurisdictions would assist in alleviating excessively restrictive conditions associated with development controls, such as limiting licensed capacity and hours of operation thereby prohibiting moves towards flexible early childhood education and care.

## 8.7 Effectiveness of the National Partnerships

ACA supports the ambitions of the National Partnership on Early Childhood Education (NP ECE), however it failed to deliver equitable outcomes to families throughout Australia. ACA believes that Australian Government funding for ECEC services should be provided with stronger provisions that deliver the intended outcomes of funding.

Despite clear requirements outlined in the NP ECE, more than one State and Territory government (NSW, ACT, NT, WA and Tasmania) have chosen to exclude funding under the National Partnership on Early Childhood Education (otherwise known as Universal Access) from long day care services.

Given the requirements of the NP ECE a significant number of children attending long day care have been excluded with jurisdictions failing to meet the needs of parents in a diversity of settings. 90 per cent respondents to the *ACA Member Survey 2014*<sup>54</sup> that were not able to access funding to provide a kindergarten or preschool program would do so if an opportunity to receive NP ECE

A more directed funding arrangement would ensure that funding is provided to benefit families with reduced wastage. Unfortunately, the model provided under the NP ECE allowed some jurisdictions to invest into their existing preschool programs, resulting in a cost shifting and an underinvestment from State and Territory governments.

It should be noted that some jurisdictions performed exceptionally well under this model creating programs that meet the needs of their communities, in partnership with service providers, and enable a significant increase in participation.

<sup>52</sup> The Hills Shire Council. (2012). *The Hills Development Control Plan (DCP) 2012*. Sydney: New South Wales Government. Retrieved January 11, 2014, from

<http://www.thehills.nsw.gov.au/IgnitionSuite/uploads/docs/The%20Hills%20DCP%202012%20Part%20B%20Section%206%20-%20Business.pdf>

<sup>53</sup> Planning and Infrastructure. (2013). *Population and housing projections*. Retrieved January 7, 2014, from

<http://www.planning.nsw.gov.au/en-au/deliveringhomes/populationandhousingprojections.aspx>

<sup>54</sup> ACA Member Survey 2014, Australian Childcare Alliance, January 2014.



The National Partnership agreement<sup>1</sup> Page 6 enforces that:

Agreement concentrates on reforming the delivery of early childhood education and care services through the delivery of universal access to early childhood education.

The universal access commitment is that by 2013 every child will have access to a preschool program in the 12 months prior to full-time schooling. The preschool program is to be delivered by a four year university qualified early childhood teacher, in accordance with a national early years learning framework, for 15 hours a week, 40 weeks a year. It will be accessible across a diversity of settings, in a form that meets the needs of parents and in a manner that ensures cost does not present a barrier to access. Reasonable transitional arrangements—including potentially beyond 2013—are needed to implement the commitment to preschool program delivery by four year university qualified early childhood teachers, as agreed in the bilateral agreements.

ACA considers the integration of education and care as an important step towards improving outcomes for children, however emerging issues exist with the interaction of the sectors, funding and provision of early childhood services by the schooling sector.

Almost three quarters of ACA Members who responded to the *ACA Member Survey 2014*<sup>55</sup> reported that preschool aged children are, in increasing numbers, departing long day care for an alternative setting as they enter the year prior to school. These children often represent a key component of the overall viability mix of services, with lower cost per child, and help to support other more expensive aspects of services (for example, care for 0-2 aged children).

61 per cent respondents reported that shift to alternative provider is due to a lower daily rate being offered by community of government-run preschool systems.

This is considered an unintended outcome of the NP ECE with some jurisdictions investing heavily in government-run preschool sectors or community kindergarten to provide additional or cheaper services to meet universal access targets.

In addition, 45 per cent of respondents are reporting the movement of families due to attendance of school-based services being a key factor for enrolment at their preferred school. This is combined with perceptions of a stronger focus on education due to the linkages with the school.

<sup>55</sup> ACA Member Survey 2014, Australian Childcare Alliance, January 2014

## 8.8 Red Tape Reduction

ACA provides recommendations to government on ways to reduce the compliance burden and/or administration costs to Services and Government without compromising quality, affordability or accessibility and therefore the benefits to children, families and the community. ACA also works collaboratively with other sectors to identify common issues and present these to Government.

As identified in this submission many aspects of the NQF and EYLF have been considered positive, however there is also a high cost associated with these reforms. Red Tape primarily exists through ambiguity in expectations, subjectivity in assessment and over-engineered processes that results in excessive investment (financial and otherwise) by Government and Services.

As identified in section 5.1, Members report that the extent of regulatory burden has an impact on outcomes for children with 56 per cent of Members indicating the introduction of the NQF has reduced or significantly reduced time with children.

In November 2013 ACA provided the Australian Government and ACECQA with initiatives that could be immediately implemented to relieve regulatory burden or improve outcomes for services and families. These included:

- Establishing clear lines of responsibility between jurisdictions for the provision of support, advice and guidance in the implementation of the National Law and National Regulations;
- Redirecting training delivered through the Professional Support Co-ordinators (PSCs) to provide practical exemplars of how to achieve ratings within the NQF at a cost that is reasonable and accessible for services and educators;
- Provision of practical scaffolding by Assessors for achieving improved ratings within the A&R benchmarks;
- Clarification of the role of *Staying Healthy Edition 5* ensuring that it applied consistently across all jurisdictions and how it relates to achieving ratings within the A&R benchmarks;
- Removal of the Certified Supervisor Certificate Scheme as it is a costly and burdensome process educators, services and government.
- Clarification on the extent to which risk assessments should be conducted in relation to the National Regulations;
- Simplification of Quality Area 3 (sustainability), including identifying clear expectations and practical exemplars across all age groups (for example, babies);
- Simplification of Quality Area 6 (Collaborative Partnerships with Families and Communities), including clear expectation and practical exemplars to achieve ratings within the A&R benchmarks;
- Addressing the impractical nature of Regulation 122 (100 per cent staffing at all times) and Regulation 126 (qualifications on commencement);
- Clarification of the role of the *Educational Leader* and the different approaches that are acceptable to meeting Regulation 118;
- Addressing the relationship between 'Waivers' and the recruitment issue experienced by regional, rural and remote services;
- Streamlining of Regulation 74 (Documenting of child assessment or evaluation for delivery of educational programs) given the significant resource burden in 3-5 age groups and the lack of practical direction on the quantity, type and structure of programming and documentation;
- Addressing the unintended consequences of Section 107 that results in a reduction in licensed places and further increases pressure on the viability of services; and
- Implementation of a national criminal history check to reduce the existing inefficient State and Territory based structure that is inefficient and inconvenient for educators and employers.

ACA has received no response on these proposals or information on how these matters are being considered. This is indicative of the lack of commitment to red tape reduction by the various agencies.

ACA Members are reporting that these costs are compounded by inconsistencies in the implementation of the NQF. Specifically, more than two-thirds of respondents have experienced variable advice in programming and documentation, compliance and enforcement and A&R while more than half of respondents experienced inconsistencies with health and safety, physical environment and sustainability.

**Table 7. Inconsistencies and red tape in implementing areas of the NQF**

	Yes	No
Health and Safety	54%	46%
Physical Environment	54%	46%
Sustainability	56%	44%
Programming and Documentation	67%	33%
Compliance and Enforcement	67%	33%
Assessment and Rating Process	68%	32%

Comments from Approved Providers on regulatory burden:

"We have services in many different directorates and other states and the inconsistency in all areas for assessment and rating has been very disappointing and extremely difficult to work with. What has been assessed in some centres as not meeting is meeting in others, despite exactly the same policies and procedures being in place."

"For goodness sake - the governments rating system had nothing to do with parents rating. They rate us every day and vote with their feet. Parents are utterly unconcerned with what the government thinks is important in childcare. Staff is a notable example. I have never been asked in almost 9 years as an operator, what a staff member's qualifications are. Parents are interested in the person's abilities, experience and nurturing - not a piece of paper from a TAFE or college. Wake up!!!"

"Staying healthy in child care-we still are not confident not to implement the latest policies. We would love help from the department to check we are implementing all practices correctly. We would love some help with the assessment process as everyone we talk to has a different opinion."

"We find that people that come out and look (assessors) find simple things that should be classified as risk management with things instead of compliance issues."

"Award conditions & recruitment is also bound by increasing levels of red tape"

"Regulations pertaining to staffing, requirement to go to Overseas Qualification Board to have qualifications levelled, or directly going to ACEQA."

"Our local department officers seem to place more emphasis on compliance & enforcement than on quality outcomes."

"Depends on who you speak to as to what they expect."

## Role of Government

It is recommended that:

35. A comprehensive research project and financial modelling is conducted to determine cost/benefit of investment in ECEC, economic impact of increased workforce participation and the impact on national productivity through improved developmental outcomes of future working Australians.
36. The Australian Government should increase public expenditure on childcare services recognising the inability of the existing funding allocation to meet the needs of Australian families.
37. The Standing Council on School Education and Early Childhood (including associated Working Groups) consider improvements to future governance arrangements, including:
  - I. a more timely way for the Standing Council (and supporting working groups) to address regulatory burden and dedicated public sector resources to enact changes;
  - II. a detailed mapping of the roles and responsibilities of each jurisdiction is completed and made publicly available to address existing transparency and overlapping responsibility issues;
  - III. separating the role of the regulatory authorities in each jurisdiction from influence over the future policy and deregulation initiatives;
  - IV. the ability to receive submissions or advice directly from the sector as a collective on matters of significance; and
  - V. a revised approach across jurisdictions to achieve greater national consistency without reaching the 'lowest common denominator (that is, consensus is replaced with a majority agreement principle).
38. A comprehensive review of the purpose and functions of ACECQA including redirecting effort to a focus on quality improvement at the practitioner level.
39. The Australian Government implement more stringent oversight on future national partnerships to ensure funding delivers the intended outcomes for families in all jurisdictions.
40. The National Standards and National Regulations are decoupled due to the extensive subjectivity of NQS.
41. The requirement for Certified Supervisor certificates and other regulatory burden identified be removed from the regulatory process immediately.



## 9 Developing a new funding model

An ideal ECEC sector is a model that is in line with the education sector, provides high quality ECEC programs, and families are able to access the service of their choice for a nominal cost.

Should a particular service wish to provide a program beyond the agreed quality benchmark, the cost of this should be passed on to families who choose to access this service type. This is a model that is consistent with the current public/private education system.

Any model needs the Government to commit to increase funding for families in line with CPI and operational and wage costs to prevent the erosion of out of pocket support for families.

ACA is unable to develop detailed costing and design of a new funding model, however after examining the current affordability issues that families are experiencing, we believe it is unrealistic to expect the existing funding envelope to meet the needs of Australian families into the future. Any reform will be a redistribution of existing entitlements, which we believe will be detrimental to the Australian economy.

An initial increase (in the short term) in subsidy to families to address current affordability issues is needed while a new and more efficient system is designed and implemented. We believe that a model that is all encompassing will provide fair and equitable opportunity for all families to access at an affordable cost could be established.

### 9.1 Objectives of the model

The development of a new funding model should be based on the following objectives:

- Providing a *universal entitlement* for all families to ensure affordable access for all children;
- No worse off
- Improving workforce participation levels throughout the Australian economy, creating an incentive for more work in every household and improving financial return on investment for government;
- Supporting and targeting those who are most in need in our communities, including vulnerable families, regional, low income, and children at risk by providing **no cost** access;
- Achieving improved social outcomes, including building a more capable, productive and valuable workforce for the future; and
- Delivering a simple and efficient system for all stakeholders – government, services and families.

### 9.2 System design

The system should:

- Establish a base rate entitlement for parents working, studying and seeking work;
- Funding allocations must be calculated to deliver low income families with fee levels that only require a small co-payment that rises for higher income families;
- Parents using approved care should get up to 36 hours (3 days) of any universal entitlement per child per week without having to meet entitlement requirements;
- Any supplementary funding support, recognising that vulnerabilities and disadvantage occur at all income levels, in all regions and in all family structures;
- Funding to be provided directly to services to reduce out-of-pocket expenses via CCMS;
- Reduce vulnerabilities by providing incentives for early intervention; and
- Focus on development outcomes, health and nutrition and school readiness.

## 10 A New Assessment and Rating Model

This conceptual framework of a new A&R model is a joint submission between Australian Childcare Alliance (ACA), Family Day Care Queensland and the Queensland Children's Activity Network (QCAN). Together we represent a large section of the sectors captured by the NQF.

The organisations have come together to identify opportunities, where our collective knowledge and understanding of the sector may be helpful, in streamlining the current system and reducing red tape and regulatory burden. As such we offer the following concept to improve the A&R model as an initial guide. It should be noted that the model put forward in this submission does include the full details and scope of a new system.

Our intent is to streamline the current system and reduce red tape, regulatory burden whilst ensuring ongoing quality and adherence to regulatory requirements. We are aware of the huge financial and human burden that the current system is placing on the sector, regulatory authorities and ultimately parents. We believe in the ability of our sectors to take a much more responsive and active role to achieve self-actualisation.

The accreditation and regulatory systems were combined in 2012 to streamline and simplify due process. The Deloitte Access Economics Report on the National Quality Framework & Regulatory Burden 2013 commissioned by ACECQA states that of the 2257 survey participants (Providers) only 12 per cent agreed that the administrative burden has reduced against the previous National Childcare Accreditation Council (NCAC) and 7 per cent against the previous State/Territory licensing standard. In response to the question of "are administrative requirements of the National Law and Regulations simpler licensing and accreditation system?" only 25 per cent previously subject to NCAC and 20 per cent previously subject to state/territory licensing agreed.

We believe that regulation and accreditation are distinctly different aspects of quality. Regulation is a set of minimum standards to provide safe, good quality care.

Accreditation (NQS) is the vehicle for setting new and diverse benchmarks in high and exemplary quality care and should be ever evolving. The current system is stifling the innovative and diverse outcomes that ECEC in Australia is capable of delivering.

In this proposal the accreditation (quality assurance) process is streamlined to ensure that services and Assessors work collaboratively on the outcome for each service thus ensuring that services will be assessed in a timely manner, reducing the length of time between assessments and increasing the number of assessments that can be accomplished annually.

It is recommended that the *Significant Improvement Required* rating be removed from the quality process as this rating is deemed appropriate when a service fails to meet regulatory operational standards and should be addressed immediately upon evidence of noncompliance. Linking noncompliance of regulation to the NQS diminishes the intent and potential of quality assurance.

The Quality assurance process should rate services as:

1. *Working Towards* – services are meeting regulatory requirements but are still working to higher quality assurance standards.
2. *Meeting* - services are meeting regulatory requirements and also meeting quality assurance standards.
3. *Exceeding* – services are meeting regulatory requirements and setting new benchmarks for service delivery and quality outcomes for children.

The *Excellent* Rating should also be abolished, as it is a subjective, inequitable and highly divisive rating and should not have been awarded while regulatory authorities do not have the ability to assess all services under the existing model.

The rating outcome should reflect the individual achievements of the service and not default to the lowest common denominator.

For a service that achieves quality areas less than *Meeting*, a further assessment should occur as soon as possible and not later than 12 months. The assessment would focus on the *Working Towards* quality areas only.

This streamlines the process ensuring that resources, financial and human, can be utilised more effectively to ensure that all services receive regular compliance visits that focus on regulations and the law. At the present time services may wait up to seven years for a regulatory visit, which is extremely unsatisfactory, as some of these services could be operating below regulatory standards for a considerable period of time.

This proposal has a new focus on the formation of a collaborative partnership between the service and government to work together in to evolve a vibrant and innovative sector that will ensure positive outcomes for the health, safety, education and wellbeing of our children.

We draw attention to the holistic nature of the process and the fact that there is already a requirement for services to undertake a self-assessment process in law.

In fact, those services that are not self-assessing as part of the Quality Improvement Plan (QIP) development are not meeting those minimum regulatory requirements. In addition to this, we would anticipate a significant decline in the first tier appeals, as the process would be more collaborative and inclusive.

The system would build capacity through trust rather than being punitive in approach. The 'unscrupulous' providers are the minority and we should no longer continue to assess quality on that basis. The regulation in setting the minimum standard required is designed to manage that approach.

It is anticipated that some may request further investment in terms of resourcing the 'administrative' aspects (ACECQA and Regulatory Authorities) of the system. This top down approach is more costly and takes longer to have a direct impact on children and families.

In summary, there are many risks if the assessment and rating process is not addressed. The inability of the current regulatory jurisdictions to assess all services in a timely manner is impacting on quality and consumer confidence. There are already more cases of non-compliance as services are not being visited and assessed within the prescribed timeframes.

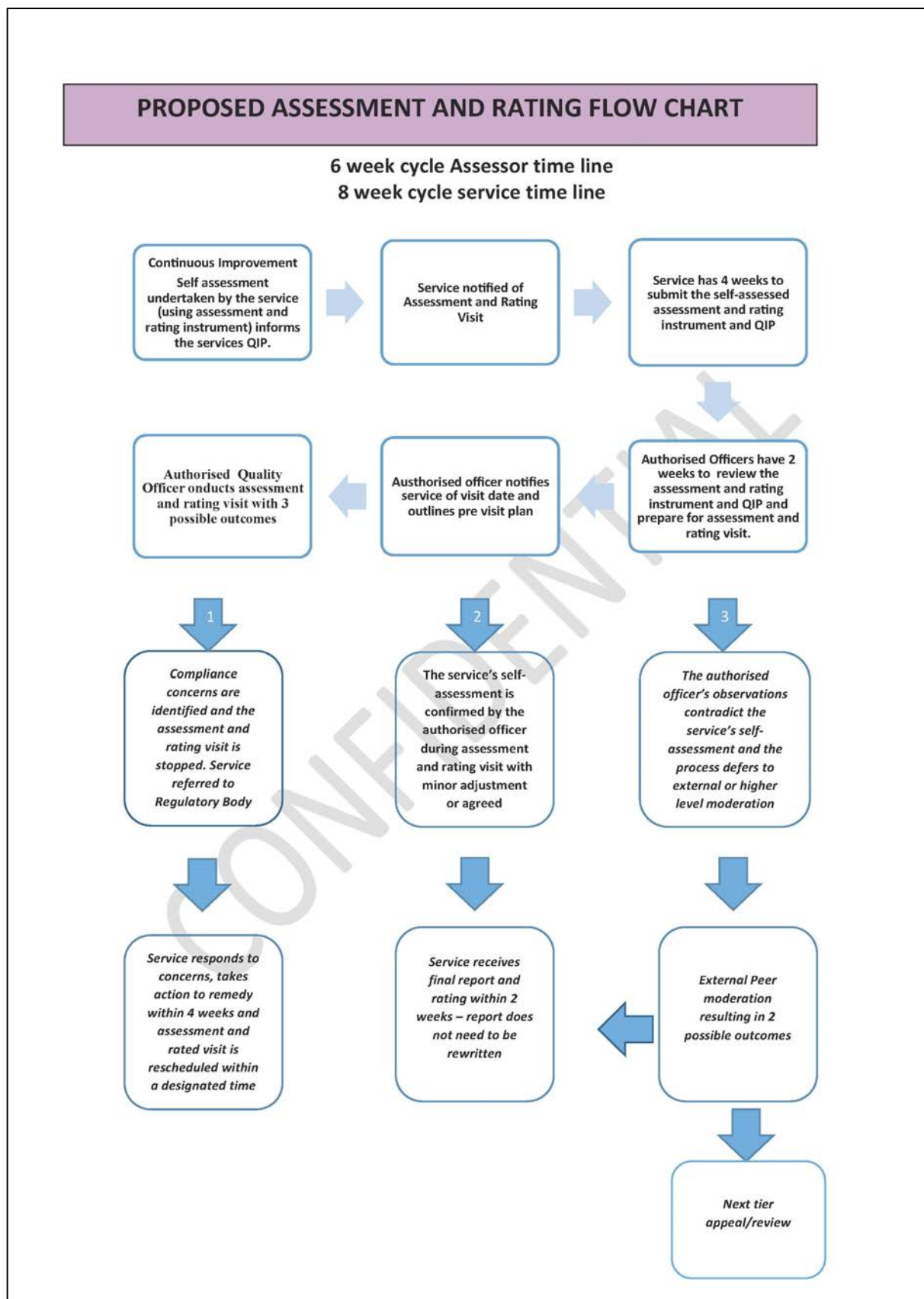


Figure 12: Proposed Assessment and Rating Flow Chart



<b>Table 8: A&amp;R Proposed Model</b>		
<b>Add value to the Quality Improvement Plan (QIP)</b>		
<b>Issue</b>	<b>Suggested Solution</b>	<b>Benefits</b>
<p>The QIP is a valuable, comprehensive and rich document, which is assessed and monitored solely by compliance.</p>	<p>Our proposal is to include the assessment and rating tool in the process of self-assessment as this document is a requirement under the National Law. The current QIP tool provides no scope for services to rate themselves against the NQS in terms of the 3 possible levels – working towards, meeting or exceeding.</p> <p>Under our proposal, services would be asked to rate themselves and accordingly provide substantiation as to why they have assessed the service at a particular level.</p> <p>This then forms the basis for discussion between the assessor and the service. After this professional dialogue, reflection and the assessors visit, an interim overall rating is then assigned at the time.</p>	<p>This process would better engage services with the standards holistically, taking into account that there are different rating levels awarded to each standard as well as overall.</p> <p>The capacity of the service to fully engage with the standard would be improved as a result of this process.</p> <p>The service's rating would reveal to Authorised Officers how services have assessed themselves including how they define and describe their own quality practice within the local context.</p> <p>Authorised Officers would be able to take a more informed approach to the process and this would in turn alleviate pressure on assessors to effectively gather all of the data required in order to make an effective decision during the visit which would require a shorter time span.</p> <p>This process empowers services to attain high standards in diverse ways. It creates a cycle of continuous reflection, collaboration and growth and empowers the ECEC services to take ownership to achieve self actualisation.</p> <p>This proposal shifts the thinking from one of subjectivity and compliance to one of ownership, partnership and enabling showcasing of the innovation of which services are capable within their context.</p>

Independent 'expert' moderation		
Issue	Suggested Solution	Benefits
<p>There is a potential for differences in the rating that services allocate to themselves as opposed to the rating that may be awarded by the Authorised Officer.</p>	<p><b>Scenario</b></p> <p>The service rate themselves as exceeding in the area of programming. They substantiate their rating with evidence they believe put them in that category.</p> <p>The Assessor after examining the evidence and professional dialogue with the service believes the service is at 'meeting'. They substantiate their reasons for this decision. In doing so the Assessor provides the service with a clear understanding of pathways to attain the level to which they are aspiring.</p> <p>Independent moderation when there is a clear difference of opinion between the services rating and assessor's rating would occur.</p> <p>Review training to build assessor skills to competently manage professional discussion when dealing with differences</p>	<p>This will add greater depth to the assessment process.</p> <p>A time-efficient, less costly, streamlined process would be realised.</p> <p>Fewer appeals would occur as only circumstances where there is a clear difference between the service's rating and the Authorised Officer's perspectives should moderation be necessary.</p> <p>Guidance points on QIP to improve quality could be enhanced by moderation.</p>

Interpretation in different context and different regions		
Issue	Suggested Solution	Benefits
There is significant inconsistency in the approach taken by Authorised Officer's as they assess and rate services. This is evident across different care types and different jurisdictions as well as within the same care types and same jurisdictions.	<p>Undertake a review of the training to build the competency of Authorised Officers.</p> <p>Commit to a requirement for Authorised Officer's to effectively demonstrate underpinning knowledge across the different service types as well as relevant qualifications.</p> <p>Invest in independent 'expert peer' moderation to assess the ongoing competency of Authorised Officers as they undertake assessment and rating processes.</p>	<p>There is great potential to streamline the assessment process when Authorised Officers are competent, consistent and knowledgeable. This will create time efficiencies and enable Authorised Officers to assess more services.</p> <p>Fewer appeals are likely to occur when the Authorised Officer has a deep understanding and experience. At present we believe that all services regardless of size, structure, children attending and number of educators are being treated as one. It is much easier for a service with two rooms and 5 educators to reach exceeding than it is for a service with several rooms and 20+ educators. OSH services are also required to fit the same mold with a more casualised workforce and children in attendance for considerably less hours per day.</p> <p>This proposed system would enable the different service models to self-assess and rate themselves within the context of their model e.g. there is a vast difference between all models and one size does not fit all. Achieving rating levels will look very different in each model. For example, the perception of the current system is that benchmarks may be set from an assessor's observation in a sessional preschool which they then expect other sectors to replicate. Size of the service, number of educators, work load, hours the children attend the service and the number and age of children in a group for recoding learning outcomes, babies etc. must be taken into consideration during assessment.</p>

Redeployment of resources		
Issue	Suggested Solution	Benefits
There are significant financial resources invested in the system by both government and service providers. These resources are not being used effectively and efficiently to drive quality.	Review the allocation of resources alongside the streamlining of processes. Invest financially in pre-assessment support and align other financial investment to services towards achieving goals identified in the QIP. Explore administrative implications and costs within the current funding models.	<p>Building service capacity to meet the standards independently will enable better outcomes for children and families in a timelier manner and alleviate some of the pressure currently associated with the assessment and rating process.</p> <p>e.g. at the moment assessments are subjective:</p> <ul style="list-style-type: none"> <li>• Evidence assessors don't see on the days of the visit is reflecting in lower ratings</li> <li>• The bar is moving upwards as assessors gain more evidence of what can be done in a service and the evidence that some assessors are requiring is not reflective of the element</li> </ul>



## 11 Appendices

### 11.1 Economic Analysis of Childcare Industry

Urban Economics was commissioned by ACA to investigate the implications of changes to childcare costs particularly on the (a) out-of-pocket cost of childcare to families and (b) rebates and subsidies available for each type of care.

Urban Economics recommended that<sup>56</sup>:

- The Productivity Commission supports the on-going interventions of governments to alleviate the cost of childcare for families;
- Government financial support for families' childcare costs continues to be an important component of its response to encourage higher levels of workforce participation;
- The level and growth of government support reflects the growth in childcare costs over time;
- The level and growth of government support properly reflects the cost implications of the National Quality Framework; and
- The freeze of the cap on the maximum claimable under the CCR is removed and replaced with indexation that reflects the strong growth of childcare costs over time.

### 11.2 ACA – Red Tape Submission November 2013

### 11.3 ACA – Critical Reflection on Assessment and Rating November 2013

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<sup>56</sup> Meulman, A. & Binkley, J. (2014). *Economic Analysis of Childcare Industry*. Report prepared by Urban Economics for Childcare Queensland.

## Appendix 11.1 Economic Analysis of Childcare Industry

# Economic Analysis of Childcare Industry



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#### **Warranty**

This report has been based upon the most up to date readily available information at this point in time, as documented in this report. Urban Economics has applied due professional care and diligence in accordance with generally accepted standards of professional practice in undertaking the analysis contained in this report from these information sources. Urban Economics shall not be liable for damages arising from any errors or omissions which may be contained within these information sources.

As this report involves future market projections which can be affected by a number of unforeseen variables, they represent our best possible estimates at this point in time and no warranty is given that this particular set of projections will in fact eventuate.



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## EXECUTIVE SUMMARY

Urban Economics has been commissioned by the Australian Childcare Alliance to undertake this assessment of the implications of changes to childcare costs. This assessment will form part of the Alliance's submission to the Productivity Commission in relation to its Inquiry into Child Care and Early Childhood Learning. Urban Economics has been asked to provide commentary on two particular items in the Productivity Commission's Terms of Reference, namely:

"2...

- g) the out of pocket cost of child care to families*
- h) rebates and subsidies available for each type of care"*

Long day care services form the largest childcare sector in Australia, providing care for over 620,000 children in 2013. The childcare sector generally, and the long day care sector in particular, have experienced price growth pressures due to the rollout of the National Quality Framework from January 2012.

Annual surveys conducted by the Australian Childcare Alliance of users of their member long day care centres have shown an increasing concern amongst parents regarding the cost of childcare services. Furthermore the surveys illustrate an increasing need or preparedness to seek alternative arrangements in response to rising childcare costs, including informal care arrangements, reducing the hours/days a child is in care and removal of the child from care completely. Such responses would have an impact on the amount of time a parent would be able to participate in the workforce.

Affordability of care is being reduced as the growth in the cost of care is outpacing wage growth at a time of tighter restrictions on government rebates for childcare. The growth in the cost of care is also substantially higher than the average growth in prices for consumers. The freezing on the indexation of the maximum claimable amount under the Child Care Rebate is diluting the effectiveness of government interventions to assist with the cost of childcare.

Long income households, which have experienced a lower level of wage growth over the last decade, are particularly vulnerable to strong price growth in the childcare sector.

It is Urban Economics's recommendations that:

- The Productivity Commission supports the on-going interventions of governments to alleviate the cost of childcare for families;
- Government financial support for families' childcare costs continues to be an important component of its response to encourage higher levels of workforce participation;
- The level and growth of government support reflects the growth in childcare costs over time;
- The level and growth of government support properly reflects the cost implications of the National Quality Framework; and
- The freeze of the cap on the maximum claimable under the CCR is removed and replaced with indexation that reflects the strong growth of childcare costs over time.

## 1.0 INTRODUCTION

### 1.1 BACKGROUND

Urban Economics has been commissioned by the Australian Childcare Alliance to undertake this assessment of the implications of changes to childcare costs. This assessment will form part of the Alliance's submission to the Productivity Commission in relation to its Inquiry into Child Care and Early Childhood Learning.

Urban Economics is an economic consultancy, specialising in the way we interact within the urban environment. Urban Economics has undertaken several studies on the demand for childcare services and has previously assisted the Australian Childcare Alliance and Childcare Queensland in their submissions to the Commonwealth government in relation to the economic implications of the changes under the National Quality Framework.

Urban Economics has read the Productivity Commission's Terms of Reference (November 2013) and Issues Paper (December 2013) and has been asked to provide commentary on two particular items in the Terms of Reference, namely:

"2...

- g) the out of pocket cost of child care to families*
- h) rebates and subsidies available for each type of care"*

### 1.2 STUDY OBJECTIVES AND METHODOLOGY

The key objectives of this study are to:

- a) Assess changes in out of pocket expenses for parents in accessing long day care; and
- b) Assess the likely implications of changes to the relative cost of long day care (either through increased fees or changes in government inputs) on the affordability for parents.

In meeting those objectives, Urban Economics has employed the following methodology:

- a) Reviewed and analysed the results of the Australian Childcare Alliance's annual What Parents Want surveys (2010-14) in relation to costs of care, usage of rebates/subsidies and the influence of the affordability of care on parents' workforce patterns;
- b) Undertook a literature review of relevant published data, including ABS, Department of Education, Productivity Commission and other relevant sources;
- c) Modelled changes since 2004 of:
  - i. Average cost of care
  - ii. Rebates/subsidies
  - iii. Inflation
  - iv. Real wages
  - v. Disposable incomes

- d) Assessed the changes of the above five factors to determine any changes in the real cost of childcare of this period;
- e) Provided commentary on the impacts of the freezing of the indexation of the Child Care Rebate upon affordability of care;
- f) Assessed (based on survey results) and commented upon the implications of changes to fees for parents' workforce patterns and childcare usage;
- g) Provided recommendations to be considered in the Productivity Commission's inquiry.



## 2.0 THE LONG DAY CARE INDUSTRY

### 2.1 OVERVIEW

With evolving workforce habits, particularly for women, the childcare industry has experienced considerable growth in the demand for childcare places over the last decade. Unfortunately, the provision of places for high demand communities has in many instances not kept pace with demand. The sustained increase in demand and more stringent regulatory factors resulting in higher cost pressures for service providers have pushed up fees for childcare centres.

The Department of Education's **Child Care & Early Learning** report (March Quarter 2013) states that more than one million children (1,042,280) attended approved childcare in Australia during the March quarter 2013, representing more than one quarter of Australian children (27.7%) aged 0-12. TABLE 2.1 below is sourced from this document and shows that long day care is the predominant form of childcare in Australia. The individual attendance numbers do not add to the total as some children attend more than one type of care.

**TABLE 2.1: Use of Childcare in Australia by Quarter**

Type of Care	Mar. 12	June 12	Sept. 12	Dec. 12	Mar.13
Long day care	598,450	587,100	615,630	623,980	621,250
Family day care/in-home care	117,790	118,700	125,230	128,930	135,770
Occasional care	6,130	6,510	6,950	7,230	7,130
Outside school hours care	299,420	304,120	315,220	303,210	327,220
Total	976,230	986,280	1,030,970	1,033,150	1,042,280
Per cent of Australia's 0-12yr population	26.0%	26.3%	27.4%	27.5%	27.7%

*Source: Department of Education, Child Care & Early Learning in Summary March 2013*

The report stated that the average time a child spends in care per week in Australia was 24.1 hours (all types of care) and 27.4 hours for long day care. The report also acknowledges that capital cities have higher levels of attendance at care than in regional areas.

Key regulatory changes affecting child care centres under the **National Quality Framework** which began implementation on 1 January 2012, included increasing staff to child ratios in childcare centres and increasing the required levels of qualifications for childcare workers. Both of these changes necessitated cost increases for childcare centres, primarily due to increasing wage expenses, which would need to be borne by the operator, parents and/or governments.

TABLE 2.2 summarises the educator to child ratios for centre-based services and when these requirements were or will be implemented. In some instances, the new ratios are not required until January 2016.

**TABLE 2.2: Educator to Child Ratios, Centre-based Services**

Age of Children	Educator to child ratio	Date requirement applies from
Birth to 24 months	1:4	1 Jan 2012 – in all states and territories (1 August 2012 in WA)
Over 24 months and less than 36 months	1:5	1 Jan 2012 – in ACT, NT, TAS 1 August 2012 – in WA 1 Jan 2016 – in NSW, QLD, SA Saving provision applies in VIC
Over 36 months up to and including preschool age	1:11	1 Jan 2012 – in NT, ACT 1 Jan 2016 – all states Saving provision applies in NSW, SA, TAS, WA
Over preschool age	No national ratio has been set	

*Source: Australian Children's Education & Care Quality Authority; Education and Care Services National Regulations*

*NB: Different staff to child ratios exist in each state and territory, prior to the staged adoption of national ratios between 2012 and 2016. Therefore, depending on pre-existing state and territory regulations, the impacts of the implementation of national ratios will be different across jurisdictions.*

The improvement of educators' qualifications is intended to improve education outcomes for Australian children. The Australian Children's Education & Care Quality Authority outlined a set of requirements that were to be implemented by January 2014, with some additional requirements to be implemented by January 2020. These improvements will result in changes to the operations and structures of childcare centres in Australia, with likely increases in wage and operational costs.

In the March quarter 2013, the average hourly fee for all types of child care was \$7.25, an increase of 7.0% since the March quarter 2012. TABLE 2.3 summarises the average hourly fees by service type between March 2012 and March 2013. While the Child Care and Early Learning report quoted fees in hourly rates, in practice most care types charge by the day/attendance.

**TABLE 2.3: Average Hourly Fee by Service Type**

Service Type	Mar. 12	June 12	Sept. 12	Dec. 12	Mar. 13
Long Day Care	\$6.90	\$7.00	\$7.20	\$7.20	\$7.40
Family Day Care and In-home Care	\$7.05	\$7.30	\$7.65	\$7.60	\$7.45
Occasional Care	\$8.05	\$8.35	\$8.60	\$8.60	\$8.75
Outside School Hours Care	\$5.50	\$5.70	\$5.75	\$5.85	\$5.85
Total	\$6.75	\$6.90	\$7.10	\$7.10	\$7.25

*Source: Department of Education, Child Care & Early Learning in Summary March 2013*

The Australian Government provides assistance to families with the payment of fees to approved childcare services through the Child Care Benefit and Child Care Rebate schemes. 2013/14 budget papers included the following expense item:

**TABLE 2.4: Child Care Fee Assistance, Budget Estimates and Projections**

	Estimates (\$M)			Projections (\$M)	
	2012/13	2013/14	2014/15	2015/16	2016/17
Child care fee assistance	4,661	5,048	5,373	5,673	5,982
% Increase		8.3%	6.4%	5.6%	5.4%

*Source: Budget 2013/14 Papers – Statement 6, Table 9.2*

The Department of Education reported the following government expenditures in the March 2013 quarter of its Child Care & Early Learning in Summary report.

**TABLE 2.5: Government Assistance March Quarter 2013**

Type of Care	Child Care Benefit ('000)	Child Care Rebate ('000)	Total ('000)
Long day care	\$360,075	\$429,898	\$789,973
Family care	\$140,026	\$48,493	\$188,519
Occasional care	\$1,191	\$1,538	\$2,729
Outside school hours care	\$47,886	\$55,445	\$103,331
<b>Total</b>	<b>\$549,178</b>	<b>\$535,374</b>	<b>\$1,084,553</b>

*Source: Department of Education, Child Care & Early Learning in Summary March 2013*

*NB. Total not equal to sum of parts due to some children attending more than one type of care*

Information from the ABS's 2005 Childcare Survey identified that 39.4% of parents whose children attended a long day care centre indicated that the main reason for choosing the centre was the quality or reputation of the long day care centre.

A further 21.5% regarded convenience to home as the main reason for choosing the long day care centre. Other factors included availability of places (16.8%) and proximity to work/school (6.8%). In addition to this, the main reason given for enrolling children at a long day care centre was work-related, with 56.7% of parents responding with this as their main reason for choosing long day care.

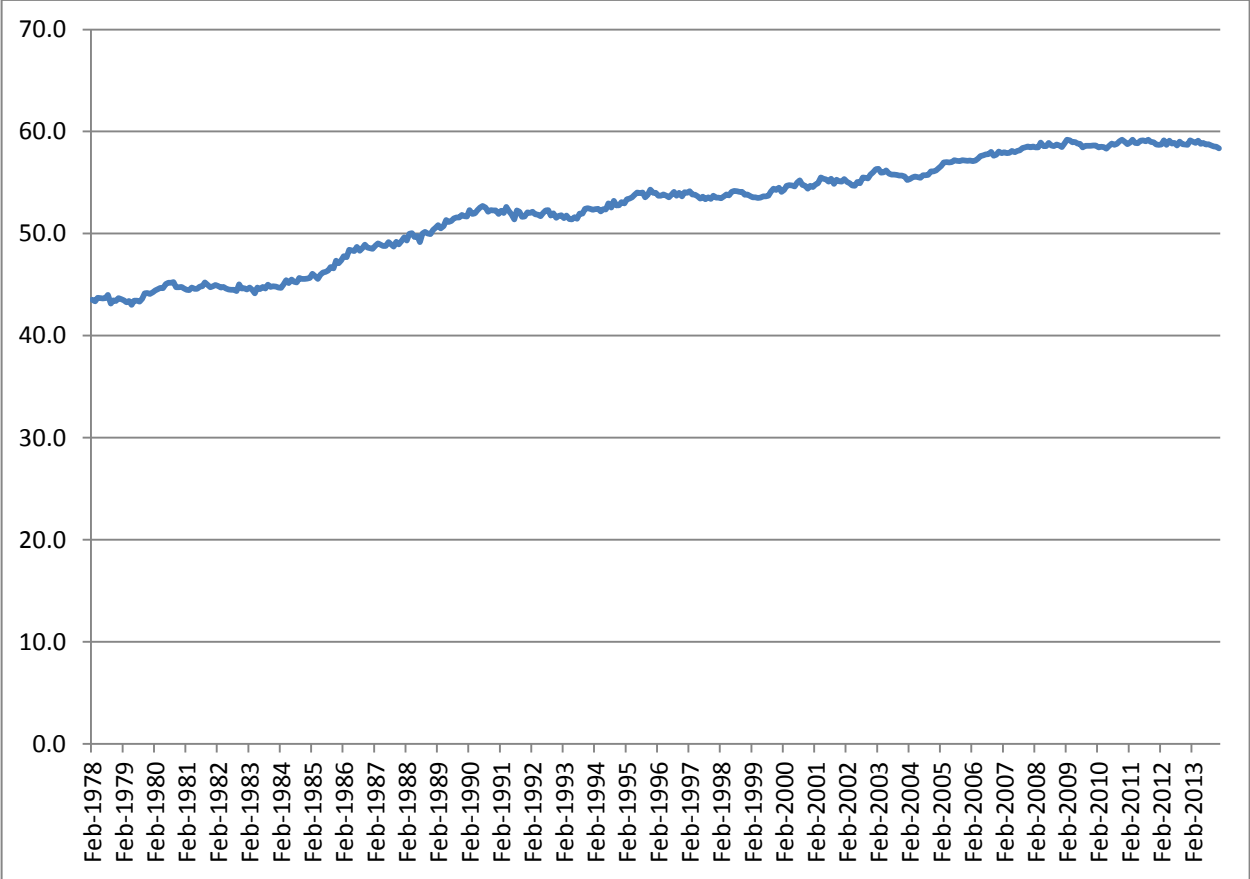
In early 2007, Urban Economics conducted an in-house childcare survey to obtain a more localised database to understand the motivations and preferences of parents in choosing a long day care centre. Interestingly, 36% of parents surveyed found it “not difficult at all” in obtaining places in long day care for their children, 40% “somewhat difficult” and 24% particularly difficult. Significantly, of parents who indicated “not difficult at all”, 41% reported it was due to having contacted the childcare centre well in advance to secure a place. In contrast, those who indicated “somewhat difficult”, responses included the difficulty in obtaining desired days in a good centre, having limited places available and the lack of quality centres available. Of those who found it “particularly difficult” in obtaining places, this was predominantly due to the length of time their child/ren had been placed on a waiting list.

Urban Economics's childcare survey illustrated similar trends to the research undertaken by the ABS, with the primary reason for choosing a long day care being the quality or reputation of the long day care centre as well as convenience to work or school. Other reasons parents considered when selecting a long day care centre included the quality of care, environment/playground, air conditioning and operator reputation.

The presence of dual income families has seen a shift in long day care arrangements. This is reflected in Urban Economics’s childcare survey with a significant proportion of parents indicating both parents working as the primary reason for enrolling their child/ren into long day care as well as social interaction. Of those parents surveyed, children attended an average of 2.5 days per week.

The incidence of dual income families has increased in recent years, with the proportion of females in the labour force increasing steadily over time, although has plateaued in softer economic conditions. FIGURE 2.1 illustrates the increasing trend of females in the labour force.

**FIGURE 2.1: Female Labour Force Participation Rate, Seasonally Adjusted**



*SOURCE: Australian Bureau of Statistics, 6202.0 Labour Force, Australia*

## 2.2 WHAT PARENTS WANT SURVEYS

The Australian Childcare Alliance (ACA) has undertaken annual surveys of parents that use member long day care facilities. These surveys gather information on use patterns and motivations among care users and garner feedback on current issues affecting the industry. As such each survey has varied slightly year-to-year. The results are used to improve knowledge for members and for advocacy purposes.

Urban Economics has reviewed the results of the 2010 to 2014 surveys. The key points regarding cost and affordability of care are:



- Affordability of care has been a key concern for parents over the survey period.
- There appears to be an increasing preparedness or need to consider alternative arrangements (such as reducing hours, using other types of care or withdrawing from the workforce) in response to increases in out-of-pocket expenses for parents.
- 80% of respondents in 2013 reported experiencing fee increases in line with the introduction of regulatory changes under the National Regulatory Framework.
- The results of the survey undertaken in December 2013 and January 2014 revealed that the average total fee per child per day reported by respondents was \$87. Excluding government rebates and subsidies, the average daily out-of-pocket amount per child was \$51 (59% of total fees).
- The most recent survey revealed that the cost of childcare has a considerable to major influence on the number of hours respondents work for 53% of respondents.
- Asked what would be their response if out of pocket expenses increased by 10%, 39% of respondents stated that they would reduce the number of days their child/ren were in care, with a further 9% stating that they would withdraw their child/ren from care completely.
- 45% of respondents stated that they would reduce the number of days in care if out of pocket fees increased by 20%, with a further 29% stating that they would withdraw from care completely.

## 2.3 DEMAND FACTORS FOR LONG DAY CARE

Several factors influence the demand for long day care in Australia. This section provides commentary on the key economic, policy and demographic influences on the demand for long day care in Australia.

### *Cost*

Cost is a major influence on the demand for care, with a correlation between rising cost and declining use of care. As detailed above the respondents of the ACA's survey indicated that there is likely to be a considerable proportion of families who would reconsider their childcare arrangements with increases to fees. This potentially would include reduced number of days, withdrawing children from care or seeking alternative care arrangements. Alternative arrangements would include formalised care (e.g. occasional care, family day care, etc.) or informal care (e.g. grandparents).

The published literature suggests an elasticity of about -0.1 to -0.2 for the demand for childcare. Furthermore increases in the price of childcare also influences the hours the mother works, although the elasticity of demand for employment is more varied, from -0.05 to -1.3.

### *Workforce Participation*

As seen in FIGURE 2.1 there has been a long-term trend of increasing female participation in the workforce. This is attributable to several reasons including more opportunities for women in the workforce, lower marriage/cohabitation rates, lower fertility rates, more single parent households, a general acceptance that women's roles are not limited to

being a homemaker and increasing housing costs necessitating more than one income in the household. There is a widespread expectation and acceptance that motherhood does not preclude a woman from the workforce, with the majority of women seeking to return to the workforce requiring some sort of formal care for their child.

It is noted that the Australian participation rate for women has plateaued and indeed slightly declined since 2008 with softer economic conditions. There has been no tangible evidence that schemes such as the existing paid parental leave scheme have resulted in an increase in workforce participation for females, although this may be borne out over time.

### *Quality of Care*

While a need for childcare so that a parent(s) have the opportunity to work or study is the prime driver for childcare, other factors and motivations of families to place their children in care is important. Regularly reported in surveys regarding the choice of childcare is the desire for quality care for their children. Parents are prepared to bypass closer/more convenient/cheaper alternatives to access their preferred mode of care and care provider.

Other factors that influence parents' decision making are the teaching philosophy of care, additional services/inclusions, hours of operation, location in relation to home/place of work/school, availability of places, etc.

### *Paid Parental Leave*

The shift in the previous government's policy from a one-off cash "baby bonus" payment to a periodic baby bonus payment and then to a paid parental leave scheme at the minimum wage had the potential to delay mothers' return to the workforce and thus have an impact on the demand for infant childcare. Evaluation of the existing paid parental leave scheme has shown that women accessing paid leave are more likely to take time off work earlier than those without paid leave and more likely to take more time to return to the workforce. The Coalition's intended more generous (both in terms of dollars and length of payment period) has the potential to further delay mothers' returning to the workforce, however this scheme has yet to be legislated and implemented.

### 3.0 AFFORDABILITY OF LONG DAY CARE

Affordability of childcare options has been a key concern for families for many years and is a key determinant in families' decision making in regards to workforce arrangements. Interventions by successive federal governments have sought to alleviate some of the cost pressures for families through rebates, tax offsets and direct payments to centres on behalf of families.

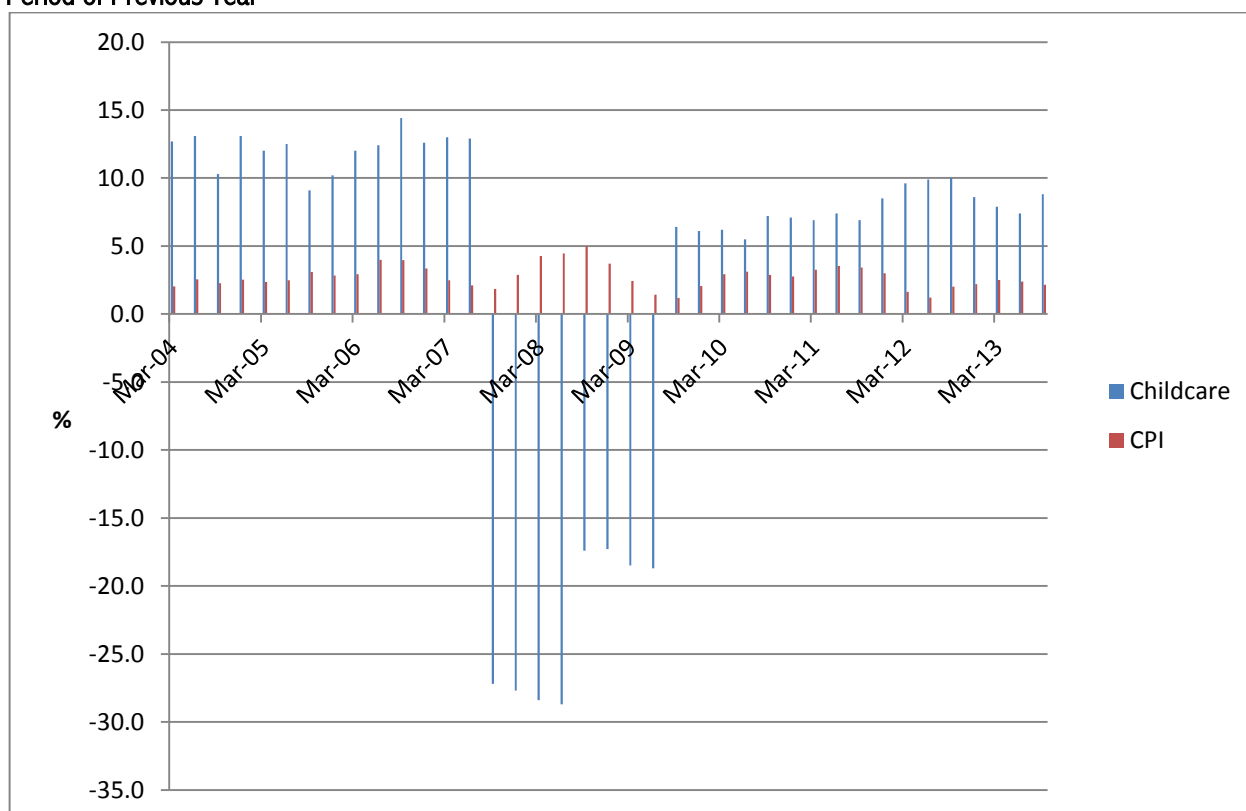
The following summarises the changes in government policies to provide price relief to families since 2000, using data from the Department of Education:

2000	Childcare Cash Rebate and Childcare Assistance (introduced under the Childcare Rebate Act 1993) replaced by Childcare Benefit (CCB) under the Family Assistance Act 1999
2004	Child Care Tax Rebate (CCTR) tax offset introduced. 30% of out-of-pocket childcare costs up to \$4,000 per individual per child per year
2007	CCTR removed from tax and paid directly to families
2008	Child Care Tax Rebate increased from 30% to 50% of out-of-pocket expenses up to \$7,500 per child per year (indexed)
2009	Child Care Tax Rebate renamed Child Care Rebate
2011	CCR capped at \$7,500 per year to 2014
2012	National Quality Framework standards begin to be introduced

Despite the government interventions, families have continued to feel under pressure from rising childcare costs, with costs increasing due to demand pressures on centres, increased regulatory stipulations for quality of care and qualifications of staff and increasing expectations of services and quality of premises. The capping of the CCR in 2011 at \$7,500 per year is having an increasing impact on families as childcare costs continue to grow since that time.

Urban Economics has reviewed the increases in childcare costs, particularly long day care costs, over the last decade in comparison to key wage and price growths over the same period. FIGURE 3.1 summarises the CPI index for Childcare costs since 2004, with comparison to the total CPI growth rates.

**FIGURE 3.1: Growth Rate of Childcare Subindex within the CPI and CPI total, Percentage Growth from Corresponding Period of Previous Year**



SOURCE: ABS 6401.0 Consumer Price Index, Australia

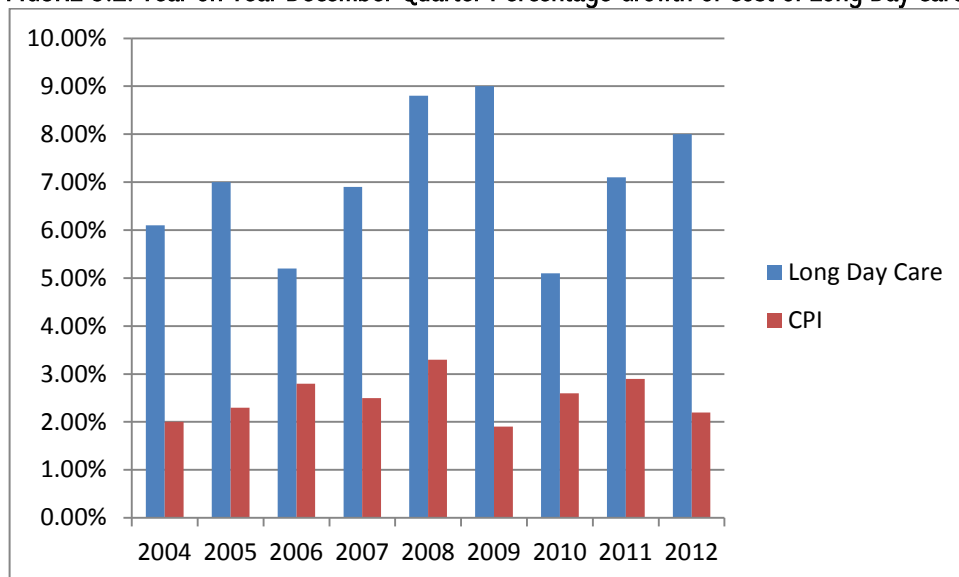
The interventions of 2007 and 2008, increasing the percentage of out-of-pocket costs paid in the CCTR and increasing its cap from \$4,000 in 2004 to \$7,500 helped alleviate the pressures caused by consistent double-digit cost growth in the preceding years. Percentage growth on the corresponding quarter of the previous year since September 2009 has averaged 7.7% for the Childcare index and was 8.8% for the 12 months to the September quarter 2013, compared with 2.5% for the CPI, since September 2009 and 2.2% for the 12 months to the September quarter 2013.

There may be an on-going impact of government financial assistance since 2009, with year on year growth less than the period 2004-07, although other factors, primarily the health of the economy, would also be of relevance.

FIGURE 3.2 illustrates year on year growth for the December quarters since 2004 for the average total cost (i.e. gross fees of centres) of long day care, in comparison to CPI. Once again, the growth of fees over this period has outstripped the CPI by a factor of 3-4. It is apparent that price growth of childcare, in particular long day care, has substantially outstripped average consumer price growth in the economy over the same period.



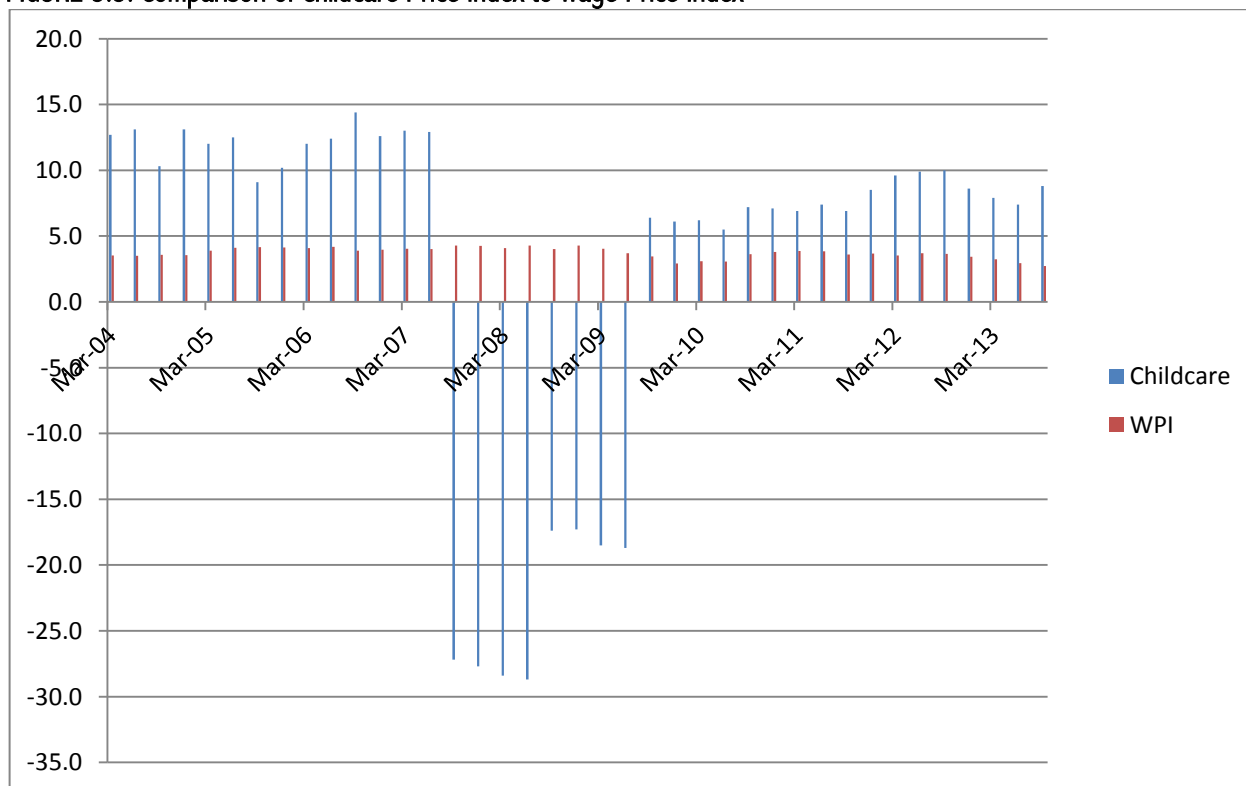
**FIGURE 3.2: Year on Year December Quarter Percentage Growth of Cost of Long Day Care, Compared to CPI**



SOURCE: ABS 6401.0 Consumer Price Index, Australia; Department of Education, Child Care & Early Learning in Summary

Similarly, the childcare price index has demonstrated higher growth in the periods 2004-07 and 2009-13 than the Wage Price Index (WPI) for all industries. FIGURE 3.3 compares the year on year percentage growth figures for these two indices.

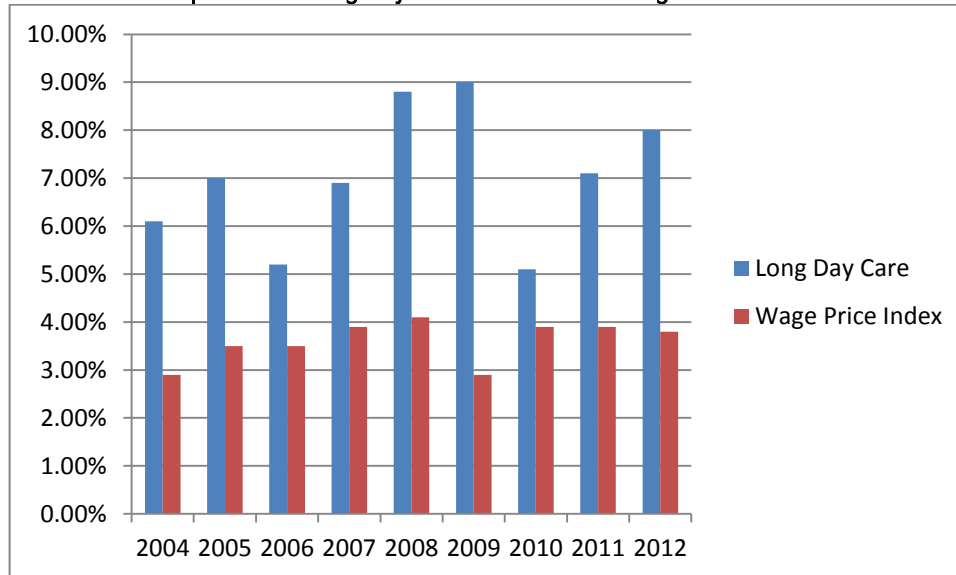
**FIGURE 3.3: Comparison of Childcare Price Index to Wage Price Index**



SOURCE: ABS 6345.0 Wage Price Index, Australia; 6401.0 Consumer Price Index, Australia

FIGURE 3.4 illustrates the comparison in growth of average total long day care fees to the WPI for year on year December quarters. Consistent with the other data, the growth of total long day care fees has outstripped wage price growth.

**FIGURE 3.4: Comparison of Long Day Care Fee Growth to Wage Price Index**



SOURCE: ABS, 6345.0 Wage Price Index, Australia; Department of Education, Child Care & Early Learning in Summary

The ABS reported that household equivalised disposable income increased by approximately 28% between 2003/04 and 2011/12, which is considerably less than the growth in long day care fees (74%) over the same period. Furthermore, the growth in the lowest quintile of household incomes (20%) has been slower than the overall average, indicating that this cohort would be particularly under pressure from rising childcare costs.

Affordability of childcare has also been affected by the freezing of the cap on the maximum claimable under the CCR scheme at \$7,500 since 2011. By capping the maximum claimable in a period of substantial year on year childcare growth (~8.5% p.a.) the real affordability of that care is reduced considerably. If a family reached the maximum claimable exactly at the end of the 12 month period in 2011, and factoring in average price growth since that time, the family would be reaching the maximum claimable in approximately 10 months in 2013.

### 3.1 SUMMARY

- It is apparent that childcare costs, and in particular long day care costs, have increased substantially over the last decade, far in excess of wage price growth or average consumer price growth.
- Government policies can make significant differences in the affordability of care, as particularly seen in 2007 and 2008 when out of pocket obligations for parents reduced. However, government policies can also reduce the affordability of care. For example the National Quality Framework introduced in 2012, adds to the operating costs of care providers, thereby increasing costs for families.

- Strong price growth since 2009 and the freezing of the claimable cap under the CCR in 2011 have renewed price pressures on households.
- Low income households, with lower percentage income growth than the Australian average, are particularly vulnerable to out of pocket price increases for childcare, precipitated either through further fee increases or reduced government benefits.

## 4.0 IMPLICATIONS OF CHANGES IN AFFORDABILITY OF LONG DAY CARE

Affordability of childcare options is a real and continuing concern for many families. Pressures of rising costs in recent years have led to parents making alternate arrangements with the level of care and their workforce participation. Any further rises in costs, either through further fee increases or reductions in the level of governmental support are likely to lead to further changes in families' use of formal care arrangements.

Growth in the out of pocket costs of childcare of around 7.7% per annum since 2009 is considerably in excess of the average growth in household incomes and thus would be perceived as becoming less affordable. As such it is likely to lead to changes in the manner in which families access care. Successive ACA surveys have revealed an increasing preparedness of parents to change their usage of childcare, including removing their children from care completely, in response to rising out of pocket childcare expenses. Options for parents would include:

- Absorbing the price rises
- Reducing the number of days/hours in care
- Withdrawing the child entirely from care

Either a partial or full reduction in the use of care may result in one or both parents needing to reduce/change their working hours in order to look after the child. Other family responses to reduced childcare usages would be to access less preferred care types or utilise informal care arrangements such as grandparents. The ABS reported that some 62% of children under two years were looked after on a regular basis by grandparents, highlighting the substantial role that this generation are undertaking in assisting families with care.

Government rebates and benefits have significantly assisted families to access appropriate and preferred care over the last decade. When such measures have materially improved the affordability of care, families have utilised such support to access further care and increase participation in the workforce. Such support may also partially explain the slight rise in fertility rates over the last decade.

On-going governmental support will be vital for families as costs continue to increase. Cost increases incurred due to the implementation of the continued implementation of the National Quality Framework are likely to be on top of the typical year on year price increases, placing further pressure on families. Productivity Commission modelling undertaken prior to the commencement of the rollout of the National Quality Framework estimated out of pocket cost increases of 16-22% per child in long day care on top of the base case due to the National Quality Framework changes.

The significant changes in governmental support in 2007 and 2008 resulted in considerable cost relief for families after several years of double-digit growth in out of pocket expenses. However, further price growth, coupled with policy changes such as the freezing of the cap on claimable expenses under the CCR and the cost implications of the National Quality Framework, have diluted the effectiveness of government rebates and subsidies.

Government interventions that improve affordability of day care, thereby encouraging higher workforce participation, are likely to be more efficient and effective than a similar degree of government intervention through a paid parental leave scheme for the following reasons:



- Access and affordability of childcare is a key determinant of workers, particularly women, returning to the workforce;
- Government assistance with childcare would reach a broader array of families than those covered under the paid parental leave scheme, which is just for families with newborns;
- A generous paid parental leave scheme is likely to delay parents, particularly women, from returning to the workforce;
- The assistance to pay for childcare fees would support jobs within the childcare industry.

## 5.0 RECOMMENDATIONS AND CONCLUSIONS

It is Urban Economics's recommendations that:

- The Productivity Commission supports the on-going interventions of governments to alleviate the cost of childcare for families;
- Government financial support for families' childcare costs continues to be an important component of its response to encourage higher levels of workforce participation;
- The level and growth of government support reflects the growth in childcare costs over time;
- The level and growth of government support properly reflects the cost implications of the National Quality Framework; and
- The freeze of the cap on the maximum claimable under the CCR is removed and replaced with indexation that reflects the strong growth of childcare costs over time.

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## Appendix 11.2 ACA – Red Tape Submission November 2013





# AUSTRALIAN CHILDCARE ALLIANCE – RED TAPE IN LONG DAY CARE

Regulation	Issue Identified	Implementation/difficulty
<b>OVERALL</b>	<i>Mixed messages – from Government departments, Assessment Officers, RTO's</i>	<p>Each state and territory jurisdictional authority and ACECQA have difficulty giving services definitive information in many instances which leaves services unsure of how to proceed.</p> <p>The structure of the system creates confusion as to who is able to give advice, state or ACECQA, and in many instances both authorities devolve the responsibility to the other resulting in services being no further informed. The common phrases used to advise services are “use common sense” and “Best Practice”. Both of which mean nothing to someone who is in doubt.</p> <p>To add to this, there is often tension between what registered training organisations teach and what assessors’ expectations are. There is no consistency and no one authority that is able to give services definitive advice or direction. Waste of human resource and finances.</p>
<b>ACA Proposal:</b> Clear lines of responsibility for service support and advice between state jurisdictions and ACECQA are established. Professional Development assistance on the understanding of regulatory requirements would be welcomed by the sector.		
<b>OVERALL</b>	<i>Administrative burdens - Co-ordinators are now in fulltime administrative roles and no longer on the floor, quite often more than one is required to meet the administration requirements</i>	<p>The National Regulations were released in October, 2011 with implementation commencing on 1/1/2012. The first round of Assessments was commenced in July, 2012. Given the magnitude of these changes there was almost no professional development offered and services have been struggling through the implementation process. Services are seeking clarification as to what exceeding standard looks like in actual practice and the standard answer given is that authorities or agencies do not want to ‘prescribe’ or give examples as it may limit the scope of what services can achieve. This is of no use to services as they struggle in their quest to attain a goal that is invisible.</p> <p>The understanding, interpreting, changing, training, and documenting the complex new NQF is imposing a burden on all centres and is distracting from our delivery of high quality on a day to day basis. Owners, directors and educators are struggling. An understanding on the part of the previous Government on what it takes to effectively manage and implement change was obviously misplaced and indicates no practical understanding of how busy an early education and care service is under normal operating circumstances. e.g. All policies had to be re written, linked to the NQF documents and re sourced, documentation and procedures changed, thousands of pages of law and regulations to read and comprehend, a new Quality program introduced, professional development for educators increased substantially and additional staff employed to meet regulatory changes and to assist with paperwork.</p>
<b>ACA proposal:</b> ACA state associations have worked diligently with members to provide workshops and meetings where points of the regulations were highlighted and explained by practitioners. ACA also provides telephone assistance to members however the task is extremely onerous given the complexity and knowledge base of the membership. Very little pertinent training was provided by the PSC's and when provided, it was mainly delivered by academics without practical hands on experience in implementation. We understand that a portion of PSC funding is allocated to FDC and OSH to conduct workshops for sector specific training. The private sector receives		



no such funding.

ACA suggests that a direction be given to the government funded PSC's that they provide rolling workshops at a reasonable cost, or allocate funding to the LDC sector, to ensure that services are able to have their questions answered and are made aware of the requirements and resulting breaches of the regulations. The training also needs to give practical exemplars of what meeting and exceeding look like so educators have a benchmark to which they can aspire.

<b>OVERALL</b>	<i>Assessment and Rating reports</i>	<p>The majority of services report that their A &amp; R visit is a positive experience. The resulting reports are extremely comprehensive and it is obvious that the report writing process takes considerable time for the assessor to complete. However, these reports do not give the service the "way forward" to move to the next quality level but give more generic statements rather than offering practical suggestions.</p> <p>The Quality Improvement Plan Notes are the most important aspect for a service to be informed on how to move forward. This requirement of assessors is "optional" and most do not fill in this section – giving the service no idea how to attain the highest quality.</p>
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**ACA proposal:** The solution suggested is that assessors spend more of their time on working with the service on a plan on how to move forward and supporting them on their path to achieve the highest quality. ACA is working with two other sectors on a proposal to revamp the current system to save time for assessors and to provide services with more ownership of the A & R process.

The Quality Improvement Plan Notes under each standard, currently optional, must be mandatory and the assessor provides meaningful and practical scaffolding for improvement.

This whole process is costly, time consuming for all involved (services, educators and state/territory governments) and subjective. ACA believes that the current assessment model must be reviewed to reflect the services QIP and remove subjectivity of assessors' views from the overall process.

<b>NQS 2.1.4</b>	<i>Staying Healthy in Childcare</i>	<p>The requirement for services to follow the recommendations of Staying Healthy in Childcare in the National Quality Standards is causing considerable confusion as no regulatory authority will clearly identify what is reasonable to adopt or to not adopt. Some authorities are saying it is a guide, others say use "common sense" but it is a document recommended through the NQS guide. This is causing educators to spend the majority of their time - washing their and children's hands e.g. before and after using play dough, entering and exiting the sand pit every time, entering and exiting the playground, washing scatter</p>	<p>We require some clear, consistent application for this document as assessment varies between jurisdictions. Ensure that these guidelines are maximising educator's opportunity to engage in meaningful, uninterrupted program.</p>
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		cushions daily). There is debate by the medical fraternity that many of these measures are extreme and in some cases contrary to providing a natural environment for children to remain healthy.	
<b>ACA proposal:</b> The sector requires some clear, consistent application for this document as assessment varies between jurisdictions. Ensure that these guidelines are maximising educator's and children's opportunity to engage in a meaningful, uninterrupted program. We have been advised that should a service conduct their risk assessments as to how they are managing health control without adopting the full document, that service would not attain the Exceeding rating.			
<b>Chapter 6</b> <b>Division 6</b> <b>Reg.231</b> <b>Sub. 2</b> <b>Reg 177</b> <b>1 (n)</b>	<i>Certified Supervisor process</i>	<p>The current legislation and process requiring certified supervisors to apply for a certificate has not contributed in any way to quality of care for children. The administrative burden placed upon education and care services and educators in applying for a certified supervisor certificate has directed valuable time and resources away from the actual time devoted to the children and families. The process has a raft of fundamental flaws that cause services to operate illegally under the law for example:</p> <ul style="list-style-type: none"> <li>• 60 days for jurisdictions to process the applications.</li> <li>• The number of certified supervisors to comply with regulation to cover throughout the day and when educators are away ill, on holiday or leave employment.</li> <li>• Difficulty of small services and rural and remote services with potentially 2 or 3 qualified educators to cover with a certified supervisor in operation hours e.g. 6.30 – 6.30.</li> </ul> <p>Overwhelmingly jurisdictions are struggling with the administrative burden of issuing certified supervisor certificates. Many jurisdictions are turning a blind eye to the problem and saying they will not pursue services operating without certified supervisors if they have lodged their forms. This solution whilst offered in good faith still leaves questions of legality. We have not received written assurance that no action would be taken with regard to a breach of the National Law and Regulations.</p> <p>When certificates are issued they are sent to the applicant (the educator) and the service is unaware if they have been approved unless the educator informs. Jurisdictions are redirecting valuable resources away from their intended functions of compliance and assessment and rating of services which relates directly to quality outcomes for children to tend to this paperwork. Services and educators are spending a great deal of money to obtain these certificates; money that should be directed to the resources for children- away from administration. This time consuming and cumbersome process is causing providers, educators and licensing authority's undue stress and concern as they struggle to remain operating in compliance with the law.</p> <p>We consider the publishing of the names and contact details of every certified supervisor on a National website a breach of privacy that can place our educators at risk.</p>	
<b>ACA proposal:</b> The same outcome which is to have:			



'..... a responsible person at all times with adequate knowledge and understanding of education and care to children and the ability to effectively supervise and manage and education and care service...' (47 (b) (i)) will be achieved if the approved provider is delegated the responsibility to ensure the above in much the same way as they have the responsibility to ensure that the educators they employ have the correct qualifications for the position they are holding. Approved providers will still be legally responsible to ensure they are complying with all of the requirements under the Law, the only change being removal of the process and requirement for a certified supervisor certificate. Instead approved providers will keep records of who is in that role during the day, and display in the service who the responsible person is throughout the day. At present an educator may be considered legally responsible to take a group but not employed in the sector for sufficient time to be a Certified Supervisor. There is no justification of the current process and as it is agreed across all jurisdictions and organisations that it is not achieving the intended outcomes and only creating unnecessary administrative burden and stress, it must be abandoned as a matter of urgency.

Costs to educators to date amount to an incredible \$2.04 million in fees. Cost to state/territory regulatory authorities to administer the applications are immense. We also ask that the names and contact details of certified supervisors be removed from the National website.

<b>Reg 246/7</b>	<i>Asthma, Anaphylaxis training now requiring VET qualification</i>	The additional mandated training in the new legislation has added significant cost to services. Services struggle to pay staff release time to attend plus course costs which, since being mandated to an actual unit of a VET qualification, has spiralled. Previously services accessed adequate training for educators in these areas which was a fraction of the cost of the current courses. In addition, there is fire equipment use training, fitting child restraints training, food handling training and more. All this additional training has left little time for staff and team meetings and other program related professional development.
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**ACA proposal:** Services were accessing this training through other agencies prior to this regulation at reasonable cost. Since the requirement that only training attached to the VET code is acceptable, the cost has spiralled as training organisations now have a large cohort of clients compelled to use their services. It is more difficult in rural and remote areas as trainers require 10 participants to hold a training session.

<b>89; 90; 97; 100</b>	<i>Risk assessments</i>	The ambiguity of when a risk assessment is expected is leading services to increase their administration time/costs as they feel compelled to do a risk assessment on almost every situation. Services are required to complete risk assessments when their practices vary from Staying Healthy in Childcare. Whilst the regulations listed are the only risk assessments documented, under the law if we were to have an incident occur, a risk assessment on the activity would be required to substantiate our duty of care.
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**ACA proposal:** Clarity required on when it is reasonable to expect a risk assessment to be undertaken in relation to the regulations.

<b>NQS</b>	<i>Embedded</i>	The unrealistic interpretation of assessors with regard to 'connecting' with the community in relation to sustainability. Educators are
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3.3	sustainability	<p>finding they are diverting their attention away from actually engaging with the children to planning how they are going to 'engage' the broader community in their sustainability program. Assessors are rating services low in this area even though services are connecting with recycle agencies, water authorities and such. There are no set bench marks or stated criteria that educators can draw upon as a basis for this element and this is causing a great deal of angst. Assessors are rating services low where their babies' room have not, in their opinion embedded sustainability in the babies program, even where babies are using natural products, planting and involved in what the older children are developing in relation to sustainability. Again there is no bench mark given to educators as to how this is to be done and the consistency of assessor expectations varies radically. Services are redirecting a considerable portion of their budget to this area and educator hours are being also being directed away from actually engaging with children to researching how they can meet this nebulous element.</p> <p>The element says that sustainability must be "consistently implemented" – this is what we believe is being taken out of context.</p>
<p><b>ACA proposal:</b> This is one of the most failed elements of the NQS. ACA requests that clear benchmarks of what constitutes each level are required as expectations by assessors on this element appear to be excessive and inconsistent within and across jurisdictions. Feedback when a service is not meeting this requirement should be comprehensive and provide insight for services on how to reach the next level so that unnecessary expenditure and time does not occur.</p> <p>The main concern is the inconsistency and the unknown requirements of assessors. This outcome for this element is substantially assessor driven.</p> <p>Our core concern is the education and care of our children and this element is becoming cost prohibitive and time draining. Is it the core concern of a service to involve/educate the wider community on sustainability? Embedding sustainability in the babies/toddler groups is an area that is often marked down. Consideration needs to be given to the time that these educators dedicate to settling small children, changing nappies, feeding, sleeping etc. Again not comparable with a standalone Kindergarten/preschool.</p> <p>Clearer requirements must be established and ACA recommends that less importance be placed on the service making links on sustainability with the wider community over and above those that a service normally is involved with e.g. local government, water, power, recycling. Consideration also to be given for the ages and groups of children in the service.</p>		
NQS 5.1.3	Collaborative Partnerships with Family & Community	<p>As with sustainability, this area has become extremely onerous on services. There is no beginning and no end to the requirement and services are expending huge parts of their budget on trying to meet the community content of this requirement. Whatever the "exceeding" desired outcome of an individual assessor is, services are unaware, and from service provider feedback this varies within and between jurisdictions.</p>
<p><b>ACA proposal:</b> ACA suggests that there be a directive to regulatory bodies to ensure that services are totally aware of the requirements at each level of rating to meet the community requirement. This is not an ECEC services' core task. The level that is required by some assessors would be almost impossible for a service to meet unless they had several additional staff.</p>		



	<i>Transitioning to school requirement</i>	Services are required to interact with their local schools to ensure that the transition to school for our children is seamless. This is not occurring as many of the state operated schools are not willing to meet with our ECT's/educators or to accept the transition reports completed by their ECEC teacher. For many children it will take the school a considerable period of time to identify learning difficulties, social concerns etc. of the children. This could be detrimental to a small child and they may fall further behind on the educational journey.	Our ECT's/educators are more than willing to complete transition reports and consult with the first year school teachers. ACA believes that instruction must be given to the state schools to ensure that the strong work that is carried out in the ECEC services is acknowledged and accepted to assist the child's progression into the formal school system.
<b>ACA proposal:</b> Our ECT's/educators are more than willing to complete transition reports and consult with the first formal year school teachers. ACA believes that instruction must be given to the state schools to ensure that the robust and valuable work that is carried out in the ECEC services is acknowledged and accepted to assist the child's progression into the formal school system.			
<b>Reg 122</b>	<i>100% staffing at all times</i>	This regulation is difficult to achieve when there are not sufficient educators to fully staff each service in Australia. Two states have "rest time" provision which allow leeway from the 100% cover whilst children are resting. Replacing qualified with qualified for programming and other requirements during paid hours will be impossible at all times. Educators are on paid time whilst programming and on call to return to the room if required.	
<b>ACA proposal:</b> ACA requests that this regulation be examined against the success of the states with leeway during the rest period with a view to implementing this provision nationally.			
Consideration of the 100% coverage when educators are on the premises and programming will be necessary to ensure that services remain within the legal requirement of this legislation. A service cannot be expected to have additional staff available at all times to ensure that the 100% is maintained.			
<b>Reg 126</b>	<i>New employees to be registered to study Cert III prior to commencement</i>	Commencing 1/1/2014 this will cause extreme hardship to services when they urgently need to recruit a new employee. It is impossible to sign up a recruit to a traineeship in one day – more appropriately 1 month. A new entrant to a traineeship must be employed to be signed by the government to the contract. This will cause excessive work and cost for the agencies and government involved in drawing up the Government traineeship contract, to have the new entrant leave in a short time as they have discovered that early childhood is not suitable for them.	
<b>ACA proposal:</b> That a period of three months grace before any new employee is required to sign for study of their Certificate III. This period of time is consistent with natural processes in any position for a new employee to consider their choice of profession and an employer's obligation to ensure suitability.			



<b>Reg 118</b>	<i>Educational Leader</i>	<p>The Educational Leader (EL) is in most instances successful for services that have an ECT or a very special Diploma qualified Educator. But in reality many services are struggling with this requirement. It does take time from a staff member's duties to be an Educational Leader (additional cost to the service to ensure that correct child: educator ratios are maintained). Assessors' interpretation of Element 7.1.4 is that the Educational leader spends considerable time instructing and educating other educators to support and extend children's learning. Every service has to have or have access to an EL and under the current regulation a service that does not have someone who is extremely capable, must engage a less than appropriate person who is not capable of mentoring the team.</p>
<p><b>ACA proposal:</b> A good Educational leader is an asset to a service. Inconsistencies of assessors' opinion on Educational Leaders duties are reported by services. With a shortage of experienced ECT's available to the sector, services are employing educators to fill this position, many of whom are new graduates with no actual workplace experience and not equipped with the knowledge and experience to lead others. The Educational Leader must be backfilled when mentoring and this adds considerable cost to services.</p> <p>ACA is concerned that as this person has a title, it will be targeted for an increased wage rate under the ERO. Additional cost to services – families. ACA is advised by members that it is causing friction and unrest in services when an ECT is considered the most qualified to do the mentoring but does not have the embedded experience in the LDC sector.</p> <p>A consistent approach to assessment of the duties of an Educational Leader is required and consideration for a set period of time if a suitable mentor cannot be engaged.</p> <p>The Educational Leader's name must be displayed in the foyer of the service and should an Educational Leader leave the service, time must be allowed for the position to be filled.</p>		
<b>Reg 44 - 45</b>	<i>Waivers employment of ECT's 01/01/2014</i>	<p>It has been identified that there will be considerable tension across the sector for all services to engage an ECT by 01/01/2014. The process and cost of applying for a waiver is time consuming and costly for services and regulatory authorities. To compound the issue the implementation time frames of the Regulations are requiring increasing reliance on waivers to enable services to operate. Unless there is some transitional leeway afforded to the sector prior to 1/1/2014 on the requirement for all services to engage or have access to an ECT, the requirement for waivers will have the potential to overwhelm state/territory authorities. It will also be a considerable cost to the sector both financially and in human resources.</p> <p>Waivers for Educators are being declined due to unreasonable and costly advertising requirements. E.g. The NSW authority has determined that advertising must be specific to that particular waiver and to be approved for the waiver, services must advertise the position in both state and national papers. This advertising alone costs in the vicinity of \$1000 for two advertisements. There appears to be no consistent national approach to waiver requirements.</p>



**ACA proposal:** Leeway in meeting this regulation by suspending the requirement to a more practical date when it is identified that there are sufficient educators must be considered as there will be a substantial number of services unable to recruit an ECT on or before 1/1/2014.

Consideration must be given for the absolute waste of finances that so many applications for waivers will incur to the sector and regulatory authorities. This also goes to the credibility of the NQF when services are increasingly relying on waivers because they cannot consistently meet the standards. Parents immediately suspect the quality provision of a service with a waiver. We do not want to see services “named and shamed” because the implementation of the legislation has caused this waiver problem. ACA does not want to see the blatant waste of money and resources that waivers will bring as has happened with the Certified supervisor certificates e.g. \$2.04 million of educator’s hard earned money.

<b>Reg 126</b>	<i>Having 50% of staff Diploma qualified</i>	Waivers required particularly in regional, rural and remote services. See cost of waivers above.
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**ACA proposal:** Leeway is requested for services working towards their 50% requirement and transitional timeframe extended by a progressive % requirement e.g. 40% for a further period of 12 months or until it is evident that there are sufficient qualified educators in the region. This will in most instances apply to regional, rural and remote services and it will be vital for consideration to be given in order for them to remain in operation. In all areas it is sometimes difficult to recruit and the sector objects to having to employ an educator who is not appropriate for a position to work with children but may have the qualifications. (RTO issue)

<b>Reg 74</b>	<i>Documenting of child assessment or evaluations for delivery of educational programs.</i>	The Early Years learning framework, although an excellent document, was developed primarily for preschool model services with sessional programs for 4-5 year cohorts for a maximum of 15 hours a week. The expectations of documentation of assessments and evaluations of children’s learning does not take into account the nature of long day care where children attend for extended hours between 6 am until 6.30 pm, have breakfast and lunch at the service, sleep during the day and which the educator is required to facilitate. The casualisation or part-time nature of the workforce today means in a long day care service, one educator may have as many as 45 children in their primary care group over the course of a week. The expectation that educators in long day care apply the same level of assessment and evaluation for each child as in a preschool is unrealistic and unproductive.
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**ACA proposal:** Educators in the 3 – 5 year groups are buckling under the required paperwork to be recorded for each child. We understand the importance of recording the outcomes of the EYLF for each child however it is a huge impost on these educators and taking away from the core educator’s time spent with children. Many workshops are led by academics who have not worked with the day to day pressures of a practitioner. The majority of our educators are not academics and are overwhelmed by the academic approach. There is much confusion as to how much paperwork is enough – and this varies between assessors. Dedicated workshops are required to assist educators to document what will be acceptable across all regions whilst still maintaining the valuable core of the observation and reflection.



<b>Section 107</b>	<i>Unencumbered Space Definition Change</i>	<p>This new regulation is triggered with adverse unintended consequences particularly in SA, NSW, Tas. And WA by a change in approved provider or a renovation reducing licensed places by disallowing items such as cot rooms from the previous definition of unencumbered space. As an example of the consequences to Centres in SA when section 107 is inevitably triggered, centres will lose up to 17 licensed places threatening the viability of centres. The impact on parents and women in the workforce and employment in Centres will be equally devastating as available places shrink. Centres when confronted with this trigger will have to consider scrapping their cot rooms and not provide care for under 2s which at a ratio of 1:4 are already a heavy drain on the financial viability of a service. A considerable number of licensed under 3 places will be/have been lost anyhow with the ratio changes in 2012 and again in 2016. Most centres will stop renovating to improve the quality of their premises to avoid the resultant triggering of loss of places. This prevents continuous improvement in facilities that is supposed to be a cornerstone of the NQF. Centres are already finding they cannot sell their Centres to a new provider because that triggers a license reduction that threatens the very viability of the Centre and buyers walk away.</p>
<p><b>ACA proposal:</b>Section 107 should apply to new Centre building applications only and not apply to existing licensed premises. The impost on services and loss of places is counterproductive. If a service was suitable to care for children before an approved renovation (which in itself will improve conditions for the education and care of the children), or a change in approved provider occurs, it should be suitable afterwards without reducing license numbers by triggering section 107.</p> <p>The ACA proposal could be achieved by changing Chapter 7 of the National Regulations, which contains transitional and saving provisions specific to each State we seek amendments as follows:</p> <ul style="list-style-type: none"><li>• Part 7.6 for SA-delete section 337 (5) which states “ This regulation (exemption) ceases to apply if— (a) the service approval is transferred to another approved provider; or (b) the service premises are renovated.”</li><li>• NSW Part 7.3 section 287 (2) similarly needs to be deleted</li><li>• Tasmania Part 7.7 Section 353 (4) similarly needs to be deleted</li><li>• In WA the provision for exemption to Section 107 in Part 7.9 is permanently granted only to schools and ceases if that service is transferred to a non-school provider. Provide an exemption clause for existing non-school centres and delete this transfer trigger clause for transfer to the non-school sector. It appears that private enterprise is deliberately hindered by this clause in WA.</li></ul>		





Reg 16	Criminal History checks	Approved Providers and educators are required to undergo criminal history checks in each state/territory jurisdiction they work. Additional cost and inconvenience.
<p><b>ACA proposal:</b> As the National regulations were not implemented as strictly National Regulations this is yet another area that is combative and not cost efficient for educators and employers.</p> <p>Approved providers and educators who work for groups across state/territory borders must have a criminal history check for each jurisdiction. There is a considerable delay in the gaining of the check which means a service employing a person who has lodged for the check but does not receive it for up to 6 weeks, is in breach. The same employee could already have a check from another state which is not accepted.</p> <p>A national criminal history check is urgently needed and surely would be more in line with ensuring the true criminal record of a person is obtained.</p>		

**RED TAPE:** The collection or sequence of forms and procedures required to gain bureaucratic approval for something, especially when oppressively complex and time-consuming.

### Appendix 11.3 ACA – Critical Reflection on Assessment and Rating November 2013



# AUSTRALIAN CHILDCARE ALLIANCE – CRITICAL REFLECTION ON ASSESSMENT AND RATING - NQS

Regulation	Issue Identified	Implementation/difficulty
OVERALL	<i>Gridlock anticipated in the system</i>	<p>The current Assessment and Rating process is heading towards a gridlock which if not averted, will demonstrate to the community that the system is flawed and families will lose confidence in the government's ability to guarantee quality.</p> <p>At the present time after almost 18 months of assessments, 20% of the sector has been assessed. It would then follow that it will take five years for each service across all sectors to receive a rating under this current system. Add to this the number of services that have received the "working towards" result that will need reassessment on an annual basis, new services who can only receive a "working towards" result as the maximum rating and the gridlock becomes even more convoluted. From the My Child website we have identified that there are services that have not had an assessment since 2009.</p> <p>State/territory jurisdictions in the ECEC departments also must deal with new licenses, complaints, general operations, waivers (which will only increase with each phase of legislation change) emergencies and other standard duties apart from assessment and rating.</p> <p>Our information suggests that one assessor is currently able to carry out 10 assessments per year. This small number is largely due to the fact that many assessments are three days, time allocated to study the QIP, make contact with the service and prepare for the assessment prior to the visit and the substantial paperwork that the assessor must complete after assessment. It is estimated that three weeks of work time is consumed for one assessment. In 52 weeks of the year, each assessor may have 4 weeks holidays, two weeks public holidays, two weeks sick, one week professional development time and weeks backfilling on office duties for other assessors who are absent on their leave. Deduct the 30 weeks on 10 assessments and this obviously is not workable under the current assessment process. We have been advised that in New South Wales assessment visits are being deferred on a regular basis.</p> <p>The process is subjective and relies on assessors once back at their workplace reflecting on what they saw at a service and without dialogue between themselves, the services and educators, making subjective determination in hindsight. In addition, most assessors have less experience and early childhood education qualifications than the educators they are assessing which will provide some misunderstandings during assessment, even though assessors have been through training. A week of training cannot measure to four years of training in a specialist field and years of experience.</p>
<p><b>ACA Proposal:</b> <i>That the Assessment and Rating process be re-evaluated to create a system that is less reliant on assessors' subjective opinion. This will result in the services having greater capacity to critically evaluate, reflect and self-assess their practices and programs and to set even higher bench marks for early childhood education in diverse way, without raising costs for families. Assessor would provide the moderation of this self-assessment process. A more self-regulatory approach would build capacity of services to meet exceeding quality standards in a diverse way. A submission with suggestions for this change will be forward when completed.</i></p>		



<p><b>OVERALL</b></p>	<p><i>The roles of ACECQA, DEEWR and the States/Territories in implementing the NQF and their failure to address identified issues</i></p>	<p><b>Who is responsible?</b></p> <p>ACA is concerned that the relationship between ACECQA, DoE (DEEWR) and the State/Territory jurisdictions is confusing and imbalanced.</p> <p>When ACA, approved providers, educators are seeking an answer to a question it often is referred from one agency to the other with no definite outcome. The changes to legislation appear to be the jurisdiction of no particular agency. The States/DoE/ may refer to ACECQA and ACECQA may defer to the either of the others. Services when asking for assistance are advised to refer to “Best Practice” and use “common sense”. However these answers provide no insight into what this might look like. If we are going to use such nebulous terms, we need some exemplars upon which services can scaffold.</p> <p>The <i>My Child</i> website is where families are encouraged to access information on services which includes the Assessment and rating results of the service. <i>My Child</i> was recently allocated an additional \$2 million dollars to update the site. Considerable funds have been allocated to ACECQA to provide similar information. It appears to be an overlap and a waste of taxpayers’ funds and little clarification for services and families.</p> <p>The entire NQF is based on critical reflection and the ability to recognise and make changes for constant improvement. It is an ongoing process yet, the actual legislation and structure of implementation is so inflexible that it does not enable this to occur. In a system that could be working well, it is disappointing that no jurisdiction or body (ACECQA) are willing or able to take responsibility to act to quickly rectify identified aspects of the NQF that are clearly not working for all stakeholders and in particular for the children. An example of this is the concern that ACA expressed consistently upon the implementation of the Certified Supervisor process with a formal letter sent to all relevant State/Territory Ministers, ACECQA and Government in February 2013. Even though all agreed that it was not working not anyone had the ability or impetus to act.</p> <p>The government of the time insisted that there would be no “wind back” and consequently we still are wasting valuable human resources in the Departments to process these applications, services are still struggling to ensure that they have a Responsible Person <i>with a Certified Supervisor Certificate</i> at all times and educators have parted with \$2.04 million dollars in fees to apply for these certificates. This requirement is directing Department staff away from assessments to administering certificates which have no bearing on quality outcomes for children.</p> <p>If the NQF is to sustain with integrity, the system must respond more timely when an issue causing such waste of time and finances is identified and widely accepted as flawed.</p> <p>Similarly with the regulatory requirement to employ an ECT in every service by 1/1/2014. DoE has identified that there will be a shortage of available ECT’s and it will be a challenge for the sector. Why then was this not addressed urgently some time ago when identified? The sector will now be obliged to undertake an advertising program, at considerable cost, and apply for waivers which again will cause human resources and finances to be wasted. When an inordinate number of services will be operating under a waiver</p>
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	<p>after 1/1/2014, it is obvious the legislation is not working as intended and the very reliance upon waivers will undermine the integrity of the NQS. Durable legislation must be workable and fair.</p> <p>Any action from the three relevant bodies (ACECQA, DoE, States/Territories) to address this glaring issue, has not been evident to the sector.</p> <p>In the paper <b>Early Bird Catches the Worm: The Casual Impact of Pre School Participation and Teacher Qualification on Year 3 National NAPLAN Cognitive Tests</b><sup>1</sup> P.27 4.4 The Role of the Pre-School Teacher Qualifications states “Among children who had attended a pre-school program in the year prior to formal schooling, average NAPLAN scores were highest among those whose pre-school teacher had a diploma-level qualification in early childhood education or child care, and lowest for those whose teacher had only a certificate-level qualification. Compared to children whose pre-school teacher had a diploma-level qualification, average NAPLAN test scores were slightly lower for children whose pre-school teacher had a degree qualification. However for most domains this difference is not statistically significant.” P.28 “.....At the cut point between Bands 5 and 6, children who attended pre-school with a teacher with a degree qualification in early childhood education had average test scores 19 points higher than children who had not attended pre-school, and children whose pre-school teacher had a diploma level qualification had test scores 25 points higher than children who had not attended pre-school.”</p> <p>P.35 “In terms of later (NAPLAN) outcomes, preschool teachers/carers should have at least a diploma level qualification for maximal program impact.”</p> <p>Is it therefore necessary to subject the sector to the onerous task of employing and Early Childhood Teacher by 1/1/2014 and another by 1/1/2020 if more training support were to be provided to our Diploma educators to continue with the exemplary work to which they are so dedicated?</p> <p>The research document <b>Education In Australia 2012</b><sup>2</sup> notes in its key findings P.17 that “in 2012 most children who were attending a Pre School were on track in developing the skills and behaviours they need to thrive in school and society. In 2012 for the five years measured, between 74.7% and 82.6% of children were on track....” P.20 “Nationally between 6.8% and 9.3% of children were developmentally vulnerable in each of the five domains in 2012”</p> <p>This data was collected prior to the implementation of the NQF. The results can be improved but the report does indicate that the education and care delivered prior to the implementation of the NQF was already at a high standard and increasing the hours of attendance to 15 hours per week is deemed to be necessary to increase the aforementioned percentages.</p>
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<sup>1</sup>Early Bird Catches the Worm: The Casual Impact of Pre-school Participation and Teacher Qualification on Year 3 NAPLAN Cognitive Tests: Diana Warren and John P. Haisken-DeNew MIAESR, University of Melbourne

<sup>2</sup>Education in Australia 2012: Five years of Performance Report to the COAG Council dated 21October 2013





		<p>It is interesting to note that the Universal Access Program does not provide all children with a Pre School program as in several states none of the Universal Access funding has gone to children who attend an Early Childhood Education and Care Long Day Care Centre. P.21 states that overall 22% of all children (including those who did not attend a Pre School) were developmentally vulnerable.</p> <p>ACA supports improving and maintaining quality education and care for children and to address the needs of the most vulnerable children across Australia. ACA believes that instead of increasing ECEC opportunities to our vulnerable children, the opposite effect has occurred as affordability is a major barrier to many of these children attending an ECEC program. This has been caused by the hurried implementation of the over regulated NQF.</p> <p>Families using early education and care services at the current time are struggling to maintain their current level of workforce participation due to the rising costs of placing their children into an ECEC service. The previous government assessed that the costs of implementation of the NQF (including the NQS) would rise at 57c per day. This has already been surpassed considerably in the first year alone and is more likely to be \$15+ per day at the present time with costs to continue to increase as each critical implementation date is reached.</p>
<p><b>ACA proposal:</b> <i>That the roles of ACECQA, DoE and the State/Territory Regulatory Units be analysed to allow a determination of the chain of responsibility to ensure that the sector receives straightforward, timely advice when sought and to ensure that devolving accountability between agencies does not occur. The culture that has fostered a climate of fear of stakeholders speaking up because of fear of denigration needs to be addressed. There needs to be an open willingness to critically assess and accept that changes put forward may in fact enhance the NQF.</i></p> <p><i>That the true financial cost to governments of the operational costs of the NQF for ACECQA, DoE and State/Territory Regulatory Units is analysed against the outcomes of the NQF. Analysis of the operational aspects of each of the three agencies must ensure that funding is expended in the most appropriate way for the wellbeing of all stakeholders particularly the children.</i></p>		
<b>OVERALL</b>	<i>Assessment and Rating visit</i>	<p>A common thread from information received from services is that the assessor in the majority of cases does not ask the questions to determine the actual procedures of the service in all areas and consequently mark the service only on what they have witnessed during the visit. It is difficult for the assessors to see everything in the time they are at the service and ACA believes that assessors must query and question to obtain the full understanding of how the service is meeting each quality area. Failure to do this will not move the service to the next rating level.</p>



	<p>On the negative side of assessments, some assessors have been reported as applying a tardy attitude by arriving late, leaving early, long lunch breaks and limited interaction. The assessment is very much determined by “point of time” assessors’ observations. Unless the assessor is diligent and questions thoroughly and seeks supporting documentation, the area is marked as “working towards”. It is common practice that more assessors do not seek the additional information than those who diligently seek the best outcome for a service. Other members have reported that there are assessors who continue to consider the visit a “compliance” visit and appear to ignore the positive work with the children to concentrate on their compliance agenda. Services are very hesitant to write comments on the behaviour or tardiness of the assessors as they fear repercussions. One assessor stated as she arrived at a service that she “drew the short straw” and was not looking forward to the assessment. Obviously she arrived with a pre conceived idea of the service operation.</p> <p>Verbal feedback seldom occurs during an assessment and quite often the educators and Nominated Supervisor believe that, because no issues have been raised with them, they have done well, only to receive in three months time a “Working Towards” rating. ACA believes that a more collaborative process is essential for quality outcomes rather than the existing process where assessors return to their workplace to reflect, in isolation, on the service. The current system is fundamentally flawed and more discussion must take place on site for the service to provide additional information if the assessor has not witnessed it. Where inappropriate practices are observed this should also be reported and discussed with the Nominated Supervisor at the time if the interest of the child is paramount or it is going to lower the rating.</p> <p>ACA does not believe that assessors work under the direction of “typical practice”. All educators are at differing levels in their personal and professional journey. This makes it extremely difficult for a service with many rooms to compete on the same level as a service with only two rooms. Assessors have expectations that all educators should be functioning at the same level regardless of length of tenure in the sector, qualification level and individual educator strengths. The sector is an employer of ESL educators and educators who require learning support. Assessors now appear to have a preconceived image of what an educator should be and unless all educators fit their “mould” services are being marked down. The difference in the number of educators being assessed could be 20 plus. It is also more difficult for a service with babies and toddlers to compete on the same assessment level as a service with 3 – 5 year old children who all attend for the same days each week in short sessional programs e.g. Pre-schools. As a result many long day care services have received a “working towards” result for not showing sustainable practices “embedded” in the babies/toddlers areas. Assessors and the authorities must recognise that there are limited times in a group of babies when several are not sleeping, feeding, changing or settling in. Research shows that programs for babies should be about developing secure attachments and routines. Very different in daily routine to groups with 3 – 5 year old children. This same problem occurs with “Community involvement” where educators are required to increase their engagement with the community to unrealistic levels thus taking their time away from engaging with children. There is no other profession or sector that requires staff to take time away from their core duties to be involved in community events.</p> <p>Please refer to A &amp; R Results for sessional Pre Schools and the comparison to LDC centres – Appendix A.</p>
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	<p>The work involved in preparing for our first round of assessment and rating has been exceedingly onerous. The unreasonable implementation dates for the Education and Care Services National Law 2010, Regulations 2011 which included the completely new National Quality Standards to be read, understood and implement has caused dissention amongst educators. The discarding of all of the paperwork from the NCAC system, reassessing practices, rewriting and adopting procedures and policies in line with the new law and regulations was problematic and burdensome.</p> <p>ACA believes that the sector has done extremely well in attaining our current position with little to no assistance from government. Educators are proud of their achievements but express a strong desire to experience a settling down period wherein they consolidate their understanding of practices, policies, procedures, and additional paperwork that has been introduced with the regulations but most importantly, to spend time with the children in their care.</p> <p>Assessment of children's records is not comparable in assessments across sectors as some educators at a 2:22 ratio for 3 – 5 year old children may, due to the casualisation of the female workforce or families having to make a patchwork of care arrangement due to the spiralling cost of formal care, have many children who attend for limited days each week. This results in that group having in excess of 50 children on the overall enrolment list. Irregular, low attendance of a child increases the difficulty in ensuring that documentation covers all learning areas. It must be recognised that children receive much more in a program than could ever be recorded for them individually. Assessors should, if concerned, spend some time with the child to assess their learning.</p> <p>Inconsistency of assessors within and between jurisdictions is causing confusion when discussion is held with services that have experienced contradictory requirements and expected outcomes.</p> <p>ACA understand this this is a difficult area to ensure a unified approach by assessors but this does add to the necessity for the service to have a more interactive opportunity to determine, through proof of undeniable evidence of the services assessment and rating knowledge.</p> <p>Services have also reported concern that assessors target areas of the QIP where the service has recognised and identified that they need or want to change/or attend to their processes on certain elements. One assessor reportedly took a comment from the QIP, did not seek information from the service on the procedures they had implement after sending the QIP and gave the service "meeting" with substantiation of what was written in the QIP. Services must be honest with their QIP but assessors must ask not assume that the service has not addressed the issue.</p> <p>The resulting reports are extremely comprehensive and it is obvious that the report writing process takes considerable time for the assessor to complete. However, these reports do not give the service the "way forward" to move to the next quality level but give more generic statements rather than offering practical suggestions.</p> <p>We understand that there is a "cut and paste method" introduced by some jurisdictions to assist assessors in streamlining the process.</p>
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		<p>A service reported that their report “spoke about the service’s rabbit”. The service has never had a rabbit. A “working towards” result for that assessor!</p> <p>The Quality Improvement Plan Notes are the most important aspect for a service to be informed on how to move forward. This requirement of assessors is “optional” and most assessors do not fill in this section – giving the service no idea how to attain the highest quality rating.</p>
<p><b>ACA proposal:</b> ACA is currently working with two other sectors on an alternative assessment system that will save time of all stakeholders and empower services to have more ownership of the A &amp; R process.</p> <p><b>However should the proposal attached not be accepted, ACA requests consideration be given to the following:</b></p> <ul style="list-style-type: none"> <li>• assessors spend more of their time on discussing and working with the service on a plan to move forward and supporting them on their path to achieve the highest quality</li> <li>• assessors seek information during assessment to assist services to attain their highest potential</li> <li>• on the days of assessment there must be collaboration between the assessor and the service so that services have an indication as to how the assessor is viewing their rating and be given the opportunity to provide additional supporting evidence to substantiate their position as related in the QIP</li> <li>• the Quality Improvement Plan Notes under each standard, currently optional, must be mandatory and the assessor provides meaningful and practical scaffolding for improvement</li> <li>• a service needs to know immediately of any areas that the assessor has deemed “working towards” or lower so that they can immediately enact plans for improvement. Waiting up to three months for an indication of rating is not conducive to continuous improvement.</li> <li>• a unified approach by assessors be prescribed</li> <li>• “typical practice” be considered at all times e.g. if one educator appears to be “working towards” in an area when all of the others are meeting or exceeding that the “typical practice” rule would ensure that the higher rating is applied i/o the lowest</li> <li>• consideration of an alternative assessment and rating process be determined for the difference in size and structure of service types.</li> </ul> <p>The process is costly, time consuming for all involved (services, educators and state/territory governments) and subjective. ACA believes that the current assessment model must be reviewed to reflect the services self-assessment and QIP and remove subjectivity of assessors’ views from the overall process. The onus of proof with explanation would be with the assessor to moderate on the services</p>		
<b>NQS</b>	<p><i>The rating system</i></p> <p><i>Inequity between sectors</i></p> <p><i>Weighting process</i></p>	<p>The rating system is flawed as the overall result does not accurately reflect the true quality of a service. It is measuring the lowest quality rating of a service and ignoring the quality achievements.</p> <p>When a service’s rating automatically defers to the lowest ranking it is evident that the current weighting process is skewing the result. This process is identified by the number of services that are falling below the line and into the “Working Towards” rating and exacerbated by the inconsistencies between assessors.</p> <p>Despite the previous Government’s and ACECQA’s attempts to sell to the general public and services that “Working Towards” is a good result, it is still below the line. Below the line is a fail. In fact in South Australia if a private provider wishes to operate an OSH service</p>



		<p>on a school site it is written into the DECD tender document that they must achieve “<i>Meet National Quality Standards</i>” as a minimum requirement. ACA cannot understand why any government would subject the early education and care sectors to this disparaging system when the early childhood sector that we have is amongst world’s best and provides high quality care to Australia’s children. Our high quality system is now hampered by a flawed assessment and rating process that measures the lowest common denominator rather than quality. Whilst the <i>Excellent</i> rating and process appears to be the current focus of ACECQA, it is important to note that up to 70% of the sector is struggling with their <i>Working towards</i> rating. ACA believes that this disparity must be addressed as the priority. It is admirable if educators in a service wish to apply for an “Excellent” rating, however ACA does question whether this is of primary importance to families as their main concern is for their children to be safe, happy and well cared for by passionate educators. ACA questions the value of the “Tour of Excellence” currently being undertaken by ACECQA.</p>
<p><b>ACA proposal:</b> ACA is currently working with two other sectors on a proposal for an alternative to the current system to provide services with more ownership of and commitment to the A &amp; R process that empowers all stakeholders.</p> <p>The Assessment and Rating system should be a system of encouragement and assessment and a journey of self actualisation, not compliance and subjectivity particularly when the bar has been raised and the sector has been forced to implement the NQF in such a short period of time. If a service is obviously not meeting an element and it is affecting the outcomes for children, ACA support a corresponding result. However where one educator’s recording of documentation is accurate and substantial but not at the standard as her colleagues, the entire service can be marked down. This is evidence that “typical practice” is not considered.</p> <p>The system whereby the service drops to “Working Towards” if there is one element at this level is unworkable and unfair. A student in an exam does not drop to the lowest level for one incorrect or less than correct result. The service could be allocated a time to bring the element/s if there are less than an agreed number up to the “Meeting” standard. Often times this is due to the Sustainability elements which really do not reflect the learning of our children in preparing them for the school process as much if not most of the amazing information that we make available to the children in their learning journey will NOT continue into their school years.</p>		
	<i>Assessors not meeting the 12 week timeframe</i>	<p>We have had reports from Queensland and New South Wales that services have not received their A &amp; R reports in the required timeframe. ACA understands the pressure that assessors are placed under at this time but it is also pressure for services and their educators as they await their results. It has been commented that when a service has asked to change a date for assessment due to an unfortunate circumstance out of their control, no such consideration was given to the request by the Department.</p>
<p><b>ACA proposal:</b> An assurance from each State/Territory Department that as this is a system that allows no consideration for a service, that the same respect be given to the requirement of each department to meet their commitment to the A &amp; R process.</p>		



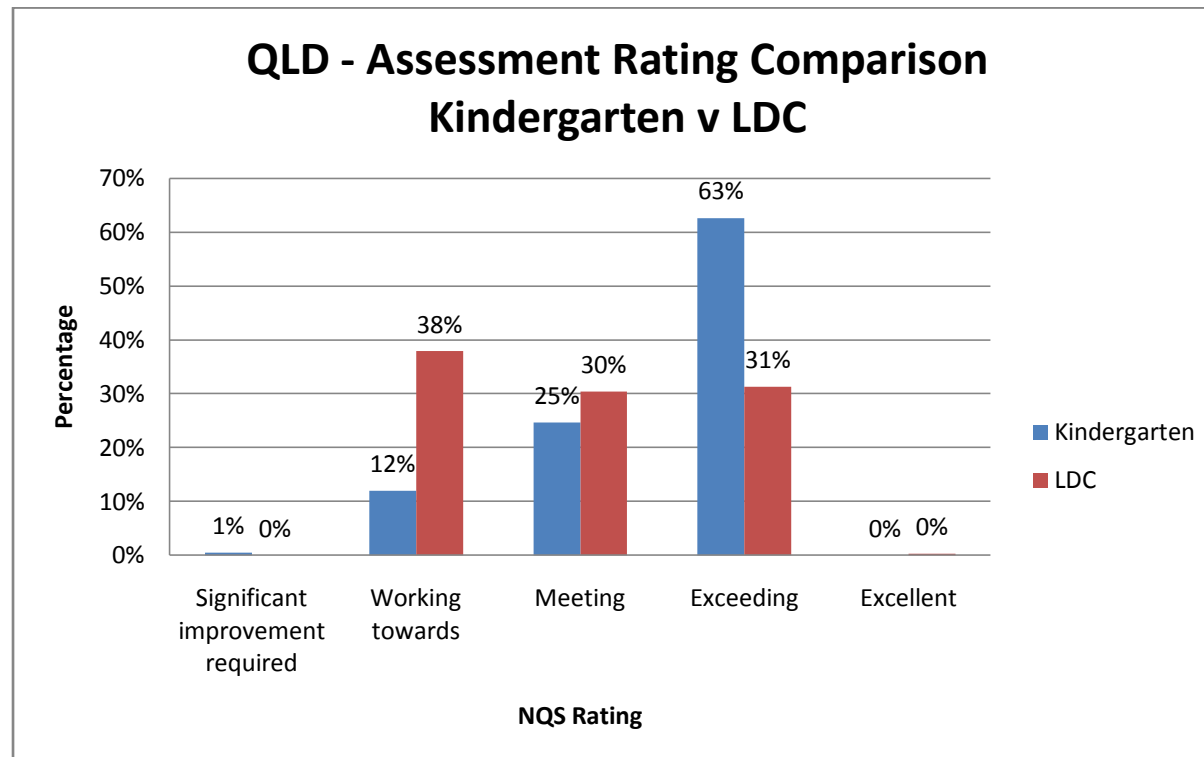


	<i>QIP comments used to mark down rating</i>	Services are increasingly advising ACA that they believe that if they nominate an area in their QIP on which they are continuing their journey towards improvement, assessors are picking up on these points and marking the service down at assessment. This does not encourage services to identify the areas in which they are continuing to strive for perfection. Assessors do not take into account the work the service has done since submitting their QIP.
<b>ACA proposal:</b> Where a service has indicated in the QIP that they are continuing their progress on a particular area that the assessor must specifically discuss this with the service to identify at what point in this journey the service has reached since submitting the QIP.		
	<i>Subjectivity of the assessment and rating process and assessors</i>	The entire system of Assessment and Ratings relies on the subjective reflections and opinions of individual assessors, many of whom have no qualifications in early childhood education. The result of this is not only inconsistent assessments across jurisdictions but inconsistent assessments within the same jurisdiction. It is not a collaborative process between the assessor and the service but more of a punitive “catch you out” process. There is evidence that in most jurisdictions services that are operated by the government are rated overwhelmingly higher than other services. Whilst there may be a number of reasons for this, from qualitative evidence ACA has received, assessors are openly stating that “the results reflect what they expected”. The implication is that they commenced their assessment with the belief that somehow the Government services would be of a higher standards and this is the evidence they were looking for when they carried out their assessment. By the same token, if they have pre conceived perceptions that other services or service types are not as higher standard, Assessors will look for evidence to support their belief. We have been told that one assessor stated on arrival at a service that she had “drawn the short straw” in getting that particular service for assessment. ACA believes that the published assessment and rating results that we have laboriously extracted from the assessment and rating results reflect this obvious bias and flaw in the system.
<b>ACA proposal:</b> ACA is currently working with representatives from two other sectors on a proposal for a new process to empower services to save time of all stakeholders and to provide services with more ownership of and commitment to the A & R process.		



## QUEENSLAND @ 8/11/2013

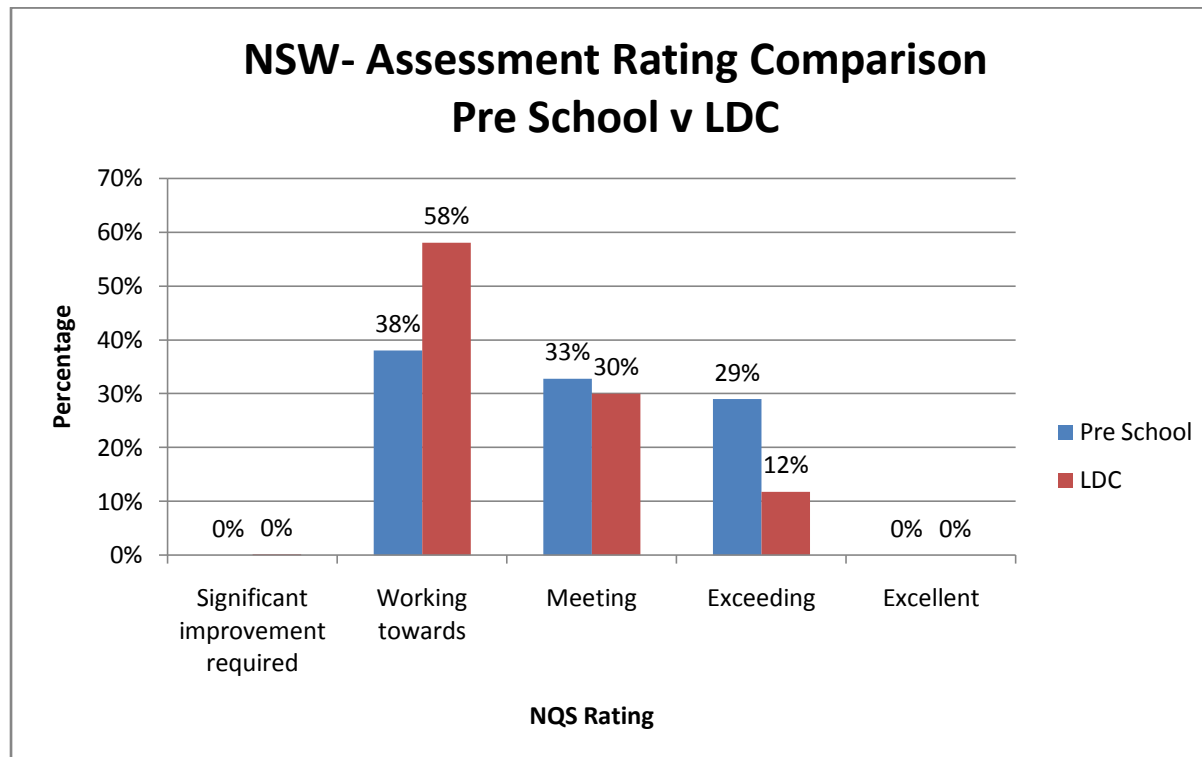
NQS Rating	Kindergarten		LDC	
	Number	Percentage	Number	Percentage
Significant improvement required	1	1%	0	0%
Working towards	23	12%	126	38%
Meeting	47	25%	101	30%
Exceeding	119	63%	104	31%
Excellent	0	0%	1	0%





## NEW SOUTH WALES @ 8/11/2013

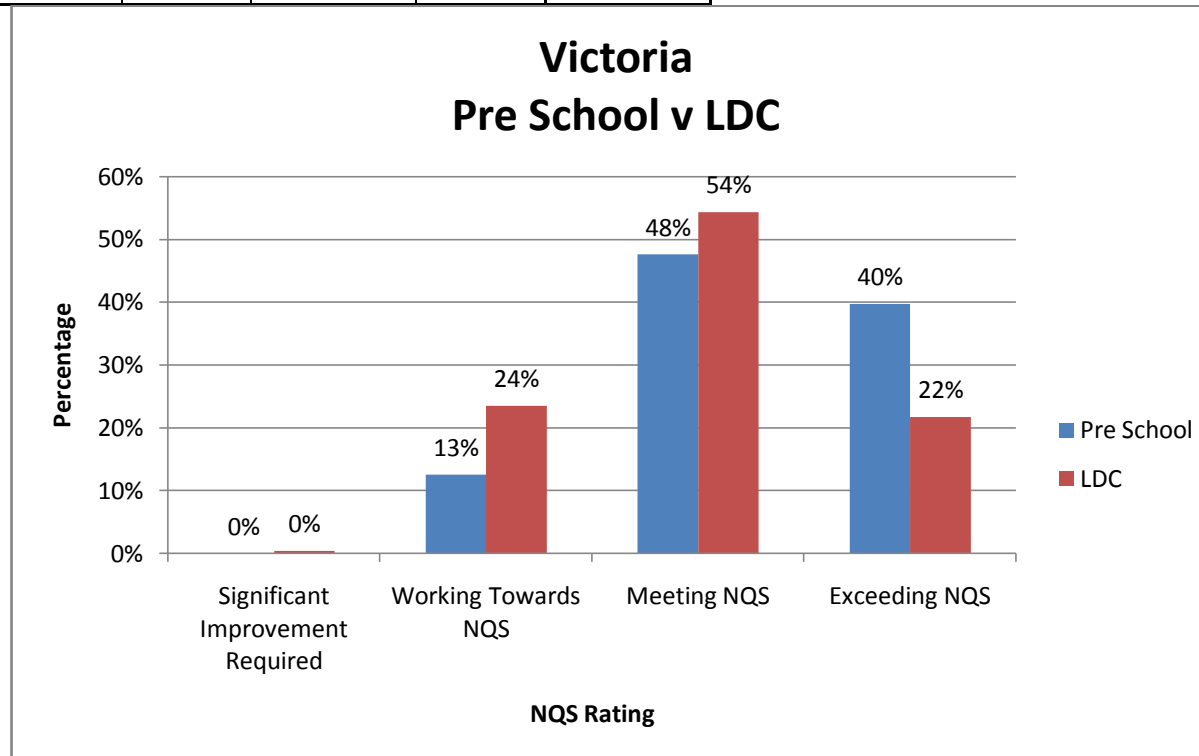
NQS Rating	Pre School		LDC	
	Number	Percentage	Number	Percentage
Significant improvement required	0	0%	2	0%
Working towards	81	38%	630	58%
Meeting	70	33%	326	30%
Exceeding	62	29%	128	12%
Excellent	0	0%	0	0%





## VICTORIA@ 8/11/2013

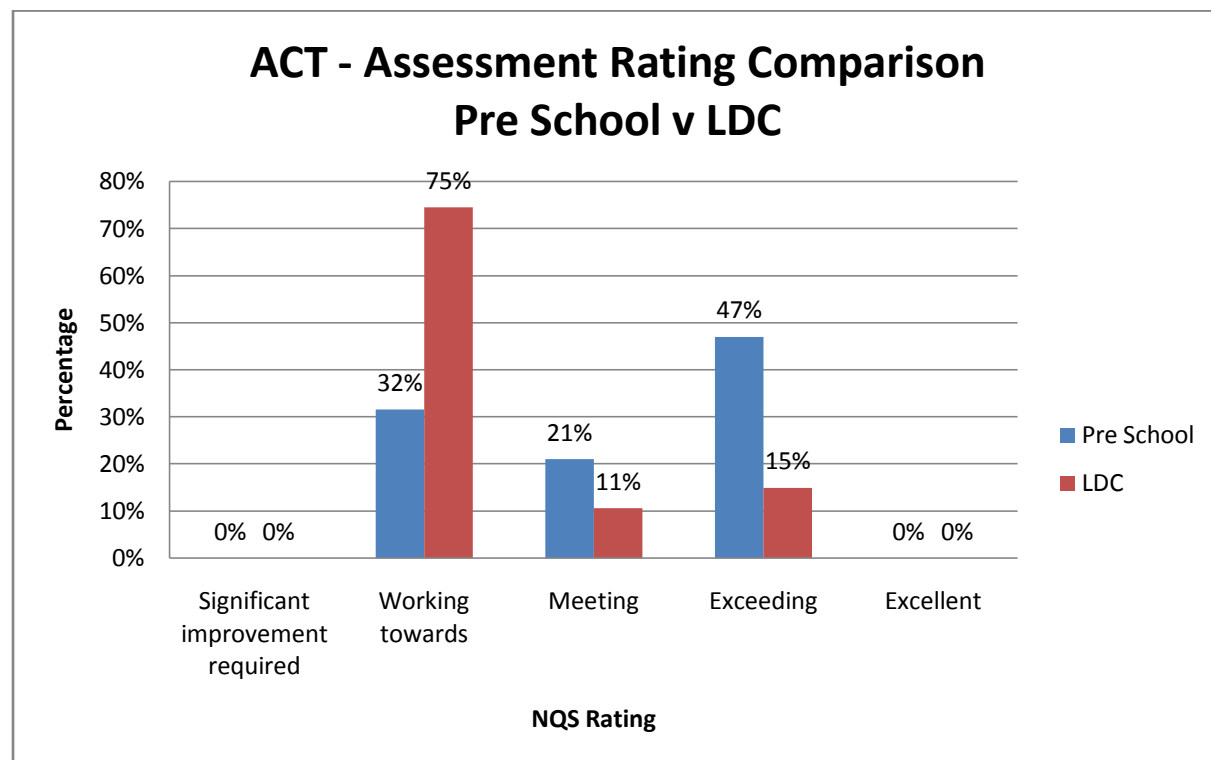
NQS Rating	Pre School		LDC	
	Number	Percentage	Number	Percentage
Significant improvement required	0	0%	2	0%
Working towards	56	13%	103	24%
Meeting	210	48%	238	54%
Exceeding	175	40%	95	22%
Excellent	0	0%	0	0%





**ACT@ 8/11/2013**

NQS Rating	Pre School		LDC	
	Number	Percentage	Number	Percentage
Significant improvement required	0	0%	0	0%
Working towards	6	32%	35	75%
Meeting	4	21%	5	11%
Exceeding	9	47%	7	15%
Excellent	0	0%	0	0%

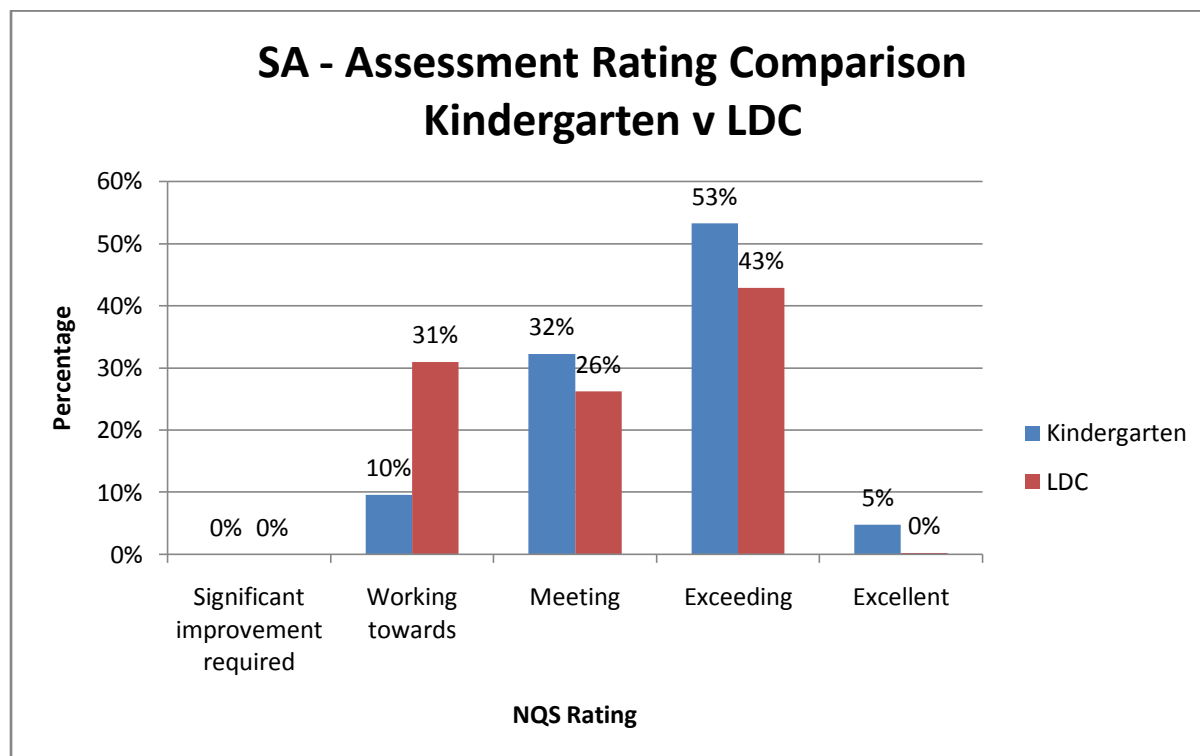






**SA@ 11/11/2013**

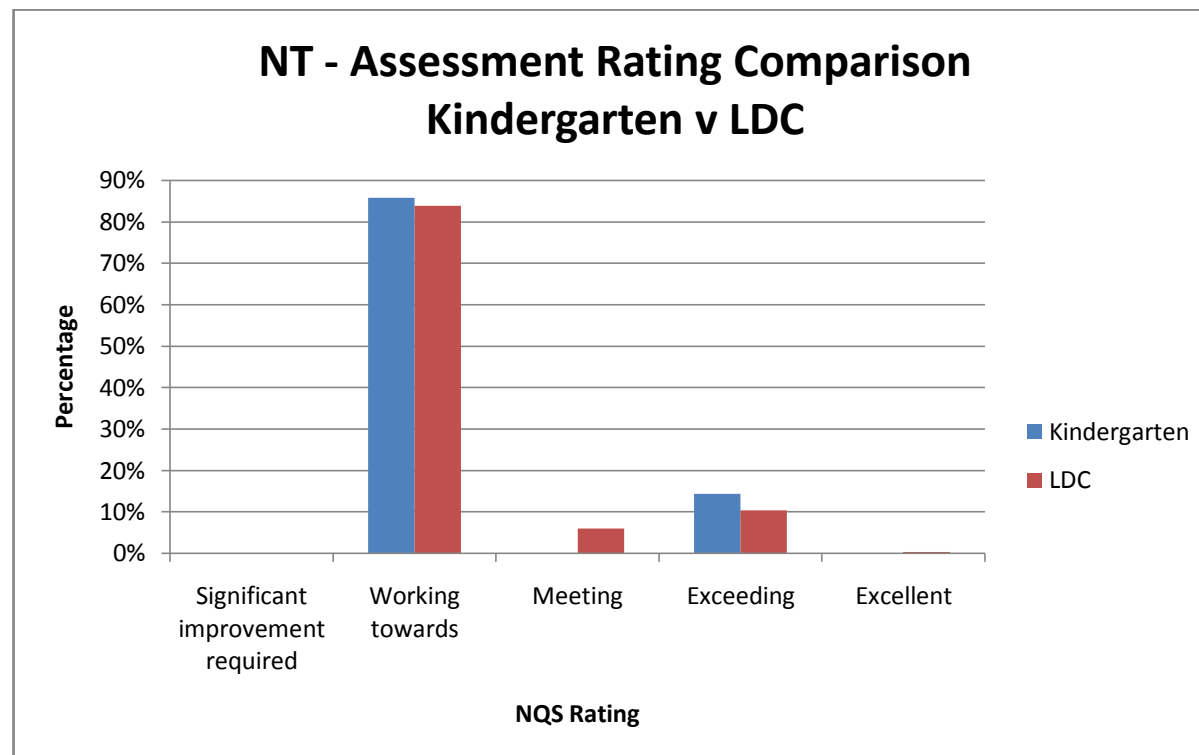
NQS Rating	Kindergarten		LDC	
	Number	Percentage	Number	Percentage
Significant improvement required	0	0%	0	0%
Working towards	6	10%	13	31%
Meeting	20	32%	11	26%
Exceeding	33	53%	18	43%
Excellent	3	5%	0	0%





## NORTHERN TERRITORY @ 12/11/2013

NQS Rating	Kindergarten		LDC	
	Number	Percentage	Number	Percentage
Significant improvement required	0	0%	0	0%
Working towards	6	86%	57	84%
Meeting	0	0%	4	6%
Exceeding	1	14%	7	10%
Excellent	0	0%	0	0%





**WESTERN AUSTRALIA AND TASMANIA HAVE NOT BEEN INCLUDED  
IN THE ABOVE COMPARISONS AS THE PRE SCHOOLS IN THOSE  
STATES ARE NOT ASSESSED UNDER THE NATIONAL QUALITY  
FRAMEWORK**

From the research document *Distribution of ratings* (November 2012: Evaluation of the Assessment and Rating process under the National Quality Standard for Early childhood Education and Care and School Aged Care : Australian Council for Educational Research (ACER).

6.

Overall, 47 per cent of services were rated at Meeting National Quality Standard or National Quality Standard. The ratings were distributed in the following way:

- Forty per cent of Long Day Care services were rated at Meeting or Exceeding National Quality Standard.
- Preschools met all elements more frequently than did other service types, with 50 per cent of Preschools being rated at Exceeding National Quality Standard.
- Close to 75 per cent of Outside School Hours Care services were rated at Working Towards National Quality Standard.
- Forty per cent of Family Day Care services were rated at Meeting or Exceeding National Quality Standard.

***(This is early research from 2012 but clearly indicates from the start of the process that the criteria of the Assessment and Rating system is skewed towards a Pre School sessional model)***