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Early Childhood Education and Care: Creating Better Futures for Every Child and for the Nation

Early Childhood Australia's Submission to the Productivity Commission Inquiry on Child Care and Early Childhood Learning

February 2014

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About us

Established in 1938, Early Childhood Australia (ECA) is the largest and most authoritative peak body in the early childhood sector. ECA's vision is that every young child is thriving and learning. Our role in achieving this is to promote the rights and interests of all young children and to support the delivery of high-quality early childhood education and care.

We have a federated structure with Branches in each State and Territory. There are more than 2500 members of ECA encompassing individuals, early childhood services and organisations (including not-for-profit, public and private entities).

About this submission

ECA has undertaken some consultation with our members and stakeholders to develop this submission, but the timelines have made it difficult to do this as thoroughly as we would like. We look forward to further opportunities for tapping into the expertise in the sector to inform the work of the Commission as the Inquiry progresses.

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1 Introduction

Participation in high-quality early childhood education and care (ECEC) has the potential to give every Australian child a chance to develop skills for life-long learning and wellbeing. This is an investment in individual capacity that will build national prosperity over the long-term.

Despite being ‘the lucky country’, not all Australian children have the opportunity to engage in early learning. In 2012, one in five children began school disadvantaged in one or more developmental domains. For Aboriginal and Torres Strait Islander children, this figure doubles to a staggering one in two. As a nation, we cannot continue to fail these children.

As with any investment it is important to get this right—poor quality early education will not work, it can actually cause long-term harm. Inequity in access to early learning opportunities will exacerbate disadvantage. Decisions about levels of investment, regulation, quality assurance and managing access to services should be taken very seriously, based on the best available research evidence.

The delivery of ECEC has been through a significant period of transformation over the past 10 years. Instead of eight State and Territory systems operating independently of one another we now have a ‘national system’ with the potential to enhance regulation, investment and impact measurement in a coherent and integrated way.

The conditions for quality ECEC have now been established through the *National Quality Framework*, which is based on the cogent body of evidence on the positive effect of high-quality early childhood education on children’s cognitive development, social/emotional resilience and capacity for life-long learning.

There has been significant growth in the early childhood sector over the past decade, driven by increasing demand as more and more parents return to work before children enter the school system. The number of children attending some form of ECEC is now more than one million and it is predicted that this growth will continue. Despite the rate of growth (over 8 per cent per annum in both long day care and outside school hours care) there are some areas where supply is not keeping up with demand, resulting in families having difficulty accessing services local to where they live or work. This ‘market failure’ often occurs in areas where the cost of securing premises or building facilities is prohibitive, making a new service venture high risk.

Commensurate with the growth in utilisation, there have been substantial increases in the child care assistance paid largely to families, by the Federal Government. This assistance is an important social investment. It delivers immediate economic benefits by supporting workforce participation, particularly amongst women; but the medium and long-term benefits are more profound with

quality early learning opportunities for children linked to better educational outcomes long term, enhanced social and emotional skills that last a lifetime.

Despite this, Australia still falls behind other developed economies in terms of our investment in ECEC. The funding system also exhibits growing structural problems.

Both these factors mean that far too many children from birth to five are not accessing early learning opportunities they deserve, and there are significant barriers to workforce participation, particularly for women.

The Productivity Commission’s Inquiry into Child Care and Early Childhood Learning is a significant opportunity to examine all the aspects of the current ECEC system and identify systemic improvements that will serve the best interests of children and families in the future.

Early Childhood Australia’s submission seeks to address the key issues identified by our members and the broader sector and proposes options for consideration in building a modern ECEC system.

1.1 Language and abbreviations

Throughout this submission the term ‘early childhood education and care (ECEC)’ is used to encompass all forms of regulated education and care services provided to children from birth to age 12, including:

- long day care
- family day care
- outside school hours care
- preschool and kindergarten
- occasional care
- in-home care
- Budget Based Funded services including Multifunctional Aboriginal Children’s Services (MACS) and crèches
- mobile children’s services.

Abbreviations

AC	Australian Curriculum for Schools
ACECQA	Australian Children’s Education and Care Quality Authority
AEDI	Australian Early Development Index
CCB	Child Care Benefit
CCCH	Centre for Community Child Health

CCR	Child Care Rebate
CFC	Children and Family Centre
COAG	Council of Australian Governments
DEEWR	Department of Education, Employment and Workplace Relations
ECA	Early Childhood Australia
ECD	Strategy National Early Childhood Development Strategy
ECEC	Early Childhood Education and Care
EPPE	Effective Provision of Pre-School Education (Project)
EU	European Union
EYLF	Early Years Learning Framework
FDC	Family Day Care
LDC	Long Day Care
MACS	Multifunctional Aboriginal Children's Services
Mobiles	Mobile Children's Services
NIRA	National Indigenous Reform Agreement
NPA	National Partnership Agreement
NP ECE	National Partnership Agreement on Early Childhood Education
NP IECD	National Partnership Agreement for Indigenous Early Childhood Development
NQA	National Quality Agenda
NQF	<i>National Quality Framework</i>
NQS	<i>National Quality Standard</i>
OECD	Organisation for Economic Co-operation and Development
OECECC	Office of Early Childhood Education and Child Care
RoGS	Report on Government Services
TAFE	Technical and Further Education
VET	Vocational Education and Training

2 Put children first

2.1 Recognise children's rights

There is historic tension between the goal of supporting early childhood development (preschools and infant health services) and supporting families with young children to engage in the paid workforce (day nurseries, childcare and outside school hours care). As a result, the provision of early childhood education and care (ECEC) has not always had a clear or unified purpose. Aspects of the system have developed differently across jurisdictions and some of the features of ECEC originate in the needs of various stakeholders at a point in time—including employers, service providers and government administrators, as well as families and children.

There is now an opportunity to put the best interests of children and their families at the centre of the system. This would mean that all future reform would be based on the primary question '*is this in the best interests of children?*' Indeed, as a signatory to the International Convention on the Rights of the Child which includes Articles 3 and 12 (see below); Australia has given a commitment to do this in all actions concerning children.

Figure 1: Articles 3 and 12—Convention on the Rights of the Child

Article 3

1. In all actions concerning children, whether undertaken by public or private social welfare institutions, courts of law, administrative authorities or legislative bodies, the best interests of the child shall be a primary consideration.
2. States Parties undertake to ensure the child such protection and care as is necessary for his or her well-being, taking into account the rights and duties of his or her parents, legal guardians, or other individuals legally responsible for him or her, and, to this end, shall take all appropriate legislative and administrative measures.
3. States Parties shall ensure that the institutions, services and facilities responsible for the care or protection of children shall conform with the standards established by competent authorities, particularly in the areas of safety, health, in the number and suitability of their staff, as well as competent supervision.

Article 12 (in part)

1. States Parties shall assure to the child who is capable of forming his or her own views the right to express those views freely in all matters affecting the child, the views of the child being given due weight in accordance with the age and maturity of the child.

This not only requires us to consider the evidence base on early childhood development, or put ourselves in children's shoes and consider their interests, but also to ask children what they would like and give it due consideration. There has been little government consultation with children since work commissioned in 2001 (AIFS, 2001). ECA believes there would be value in establishing mechanisms for age appropriate consultation in ECEC systems design and improvement, informed or assisted by the National Children's Commissioner.

Recommendations

- 1) The best interests of children are put at the centre of the early childhood education and care system.**
- 2) Reforms and ongoing improvements to the ECEC system are informed by the views of children, as well as their families, with support from the National Children's Commissioner.**

2.2 Defining the vision and measure outcomes

The Council of Australian Government's *Investing in the early years—The national early childhood development strategy* has the vision that 'by 2020 all children have the best start in life to create a better future for themselves and for the nation'. This vision puts the needs of children first and has our support for the following reasons:

1. that access to early childhood education is for *all* children—i.e. it should be universal, regardless of the child's background or age
2. that *children get the best start in life* which is provided through a quality early childhood education
3. *a better future for themselves and the nation* captures the known benefits of quality ECEC for the children's outcomes, and the consequential long-term benefits to Australian society and economy.

ECA believes that this vision should continue to be the touchstone of all decisions relating to the delivery of children's services, and that this vision serves as the foundation of the development of a new system of ECEC for Australia's future.

Building on a clear vision, a set of outcomes would provide a basis for measuring the impact of the ECEC system and tracking the return on investment. ECA is confident that if we measure the effectiveness of high-quality ECEC this will justify and drive further investment as well as inform the

system in relation to the relative effectiveness of different service models, pedagogies and approaches to promoting access and supporting families.

Outcomes need to be defined and measured at two levels:

- 1) individual child and family outcomes
- 2) system level outcomes.

Clearly defined outcomes that can be measured would allow for the establishment of targets to drive systemic improvement. An outcomes framework would also be useful in identifying priorities for research, data collection and data linkage. There are some large data collections that can contribute to this—examples include the Australian Early Development Index (AEDI), National Assessment Program—Literacy and Numeracy (NAPLAN) testing and Programme for International Student Assessment (PISA) testing, but there is scope for more Australian-based research into what models and approaches work best in our diverse contexts. Longitudinal research and program evaluations are needed, on the scale of projects like the Effective Preschool Provision Project (Sylva et al, 2004) in the UK and the US evaluations of High/Scope & Perry Preschool (Schweinhart et al, 2005) and Abecedarian approaches (Campbell et al, 2002).

The process of developing an ECEC outcomes framework would need to engage early childhood experts, research leaders, program administrators and service providers as well as involve broad consultation. It is anticipated that this would build on significant work undertaken by the Australian Institute of Health and Welfare in developing an outcomes framework for the Early Childhood Development Strategy (AIHW, 2011), but drill down further into the effectiveness of ECEC.

ECA believes research is needed to inform policy development and planning for the future. Areas of priority include:

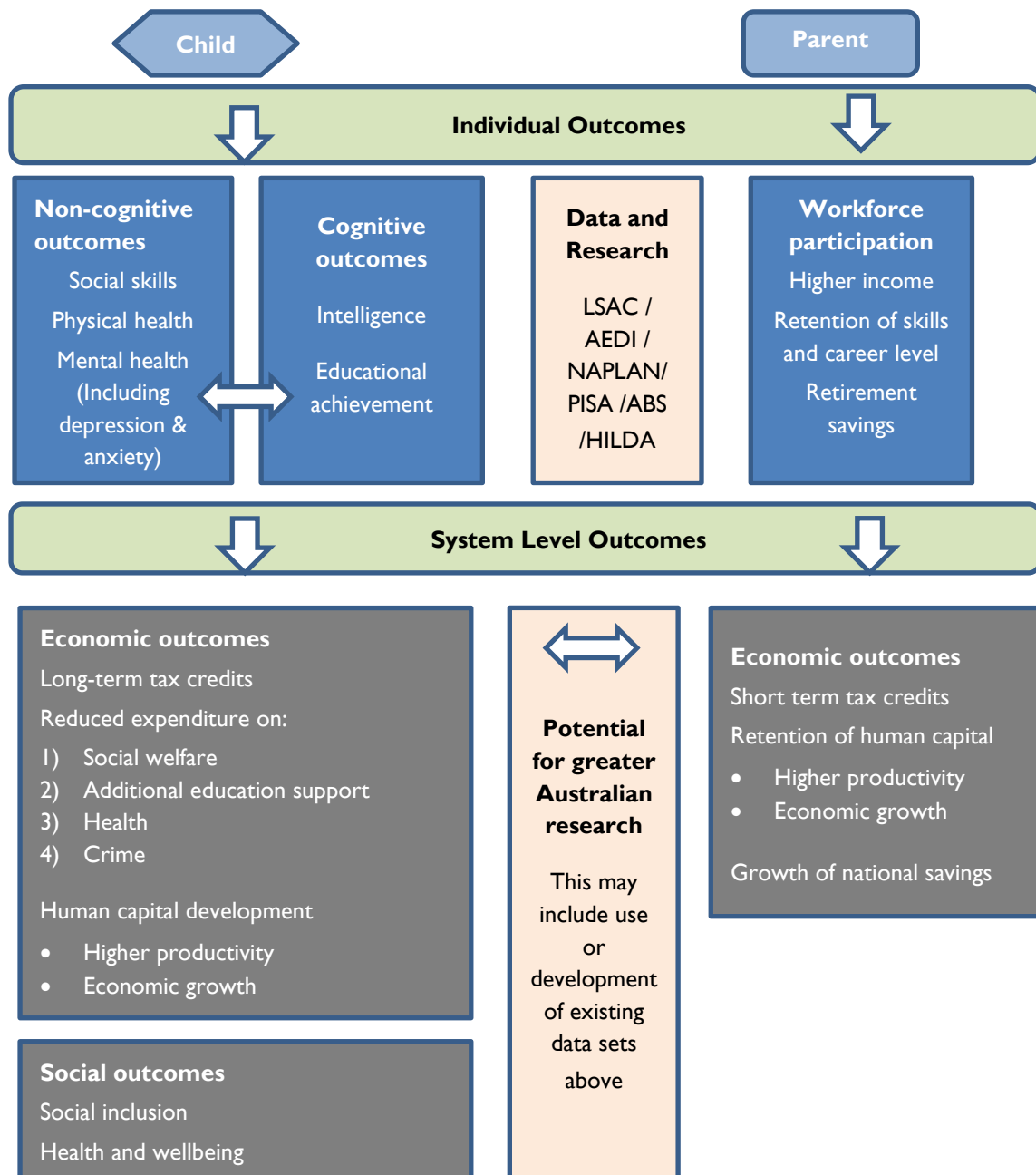
- the return on investment on high-quality early childhood programs in the Australian context
- the return on investment from workforce participation gains arising from further investment in ECEC
- a longitudinal study of Australian children in quality ECEC services following the introduction of the NQF, compared with pre-NQF waves
- the relationship between quality, availability and workforce participation elasticity
- the impact of particular ECEC policies including the NQF on family day care services.

Recommendations

- 3) The vision for early childhood education continues to be that ‘all children have the best start in life to create a better future for themselves and for the nation’.**
- 4) That an outcomes framework be developed for the ECEC system to measure the impact of higher quality programs at the individual and system level.**

The diagram below provides a preliminary sketch of the outcomes that might be incorporated into an outcomes framework. The SA Council for the Care of Children (2007) has developed a framework, *Look out for young South Australians: Improving the lives of young South Australians* based on the UK's Every Child Matters framework, both of which could help to inform the process of developing a national outcomes framework for ECEC.

Figure 2: Developing an outcomes framework



3 Quality matters

3.1 Commit to quality improvement

Australia's performance in the delivery of quality early childhood education and care needs improvement. In 2012, the OECD (2012b) ranked Australia 28 (of 45 developed nations) for participation in child care and public investment in child care; well below countries such as New Zealand (position 9), the UK (position 4) and the USA (position 24).

E4Kids, a large-scale longitudinal study of three types of ECEC services in two Australian states has also found that overall, Australian ECEC averaged in the medium range on most measured components of quality and is broadly similar to that in the USA and UK (Taylor et al, 2013). This study also found evidence that average quality in ECEC in the E4Kids study varies systematically across the type of service, with kindergartens having significantly higher quality than long day care centres.

The Starting Well Index that provides the basis for this ranking measures quality, accessibility, affordability and inclusion. Characteristics of systems in countries that did well on this index include:

- a comprehensive early childhood development and promotion strategy, backed up with a legal right to such education
- universal enrolment of children in at least a year of preschool at ages five or six, with nearly universal enrolment between the ages of three and five
- subsidies to ensure access for underprivileged families
- where provision is privatised, the cost of such care is affordable relative to average wages
- a high bar for preschool educators, with specific qualification requirements—this is often backed up with commensurate wages, as well as low student-teacher ratios
- a well-defined preschool curriculum, along with clear health and safety standards
- clear parental involvement and outreach
- a broad socioeconomic environment that ensures that children are healthy and well-nourished when they enter preschool.

The Council of Australian Governments (COAG) initiated major reform in 2009, recognising that there is a solid body of research evidence demonstrating a direct connection between the quality of early childhood services and long-term outcomes for children. The National Quality Standard (NQS) sits at the heart of this reform and provides, for the first time in Australia, a national system of quality assurance.

Determinants of quality

For more than a decade there has been consensus on the structural components or features of ECEC services that have a significant bearing on quality:

- the qualifications required of staff
- numbers of qualified staff
- staff to child ratios
- requirements regarding group size, health, safety and physical space.

The literature makes the distinction between **structural quality**, which looks at ‘quantitative’ aspects of ECEC settings such as facilities, staff levels and qualifications; and **process quality**—what actually happens in an ECEC setting, especially child–adult and child–child interactions and children’s education programs.

Galinsky (2006) summarises much of the research related to quality in early childhood programs in a comprehensive report for the Center for Economic Development in the USA. Galinsky’s report examines the research on three programs (The Perry Preschool/HighScope project, The Abecedarian project and the Chicago Child-Parent Centers) which provide strong evidence of the economic benefits of early childhood education as an economic investment with a view to answering the question: ‘What can and should early childhood programs do to make a lasting difference in the lives of children, families and society and how can standards in early childhood education reflect these findings?’

The drivers for this approach were a concern to counter the belief that any early childhood program regardless of its quality would make a difference and to more precisely examine the meaning of ‘high-quality’ in early childhood programs. The evidence from these three programs and other international research studies indicate that staff to child ratios and the qualifications of the staff are critical structural matters underpinning high-quality early childhood programs with consequent improved learning, developmental and health outcomes for children.

Staff: child ratios

There is sound evidence from research that the ratio of staff to children makes a positive difference in early childhood programs and particularly for children from birth to three years of age. Infants and toddlers do not thrive in environments where their need for individualised, responsive attention and attachment with caring, consistent educators is compromised because there are insufficient skilled adults to meet these critical needs. Research also indicates that the level of sensitive, responsive care for infants and toddlers decreases when the ratio of staff to children is decreased (NICHHD, 2000).

The American Academy of Pediatrics' policy statement on *Quality early education and child care from birth to kindergarten* (2005, p. 187), states that:

*Early brain and child development research unequivocally demonstrates that human development is powerfully affected by **contextual** surroundings and experiences. A child's day-to-day experiences affect the structural and functional development of his or her brain, including intelligence and personality. (our emphasis).*

The American Academy of Pediatrics identifies staff to child ratios as a significant *contextual* matter which can affect young children's brain development and overall development and learning. Consequently their policy statement recommends staff to child ratios which are lower than Australia's NQF as the following table indicates.

Figure 3: Comparison of staff-to-child ratios

Age group	American Academy of Pediatrics recommended ratios	United Kingdom	Australian (NQF)	New Zealand
Birth to 12 months	1:3	1:3	1:4	1:4-5
13 to 24 months	1:4			
24 to 30 months	1:4	1:4	1:5	1:6-8
31 to 35 months	1:5			
Three years	1:7	1:8	1:11	1:11-12
Four and five years	1:8			

Research shows that higher numbers of staff to children aged three to five years is associated with important learning outcomes including:

- more extensive language skills through increased opportunities for conversations with adults
- increased literacy skills
- improved general knowledge
- more cooperative and positive behaviour with peers and adults
- better concentration and attention skills.

(Howes, 1997; National Center for Early Development and Learning, 2000; Phillips, Mekos, Scarr, McCartney & Abbott-Shim, 2000; Vandell & Wolfe, 2000).

Research also indicates that the meaningful inclusion of children with special or additional needs into universal early childhood education and care settings is supported when there is a higher level of staff to child ratios (Forster, 2007; McQuail et al., 2003; Phillips, 1988). Statistics indicate that 15 to 20 per cent of children have special needs which suggest that a significant number of ECEC services would be, or could be working with special needs children and their families. Current NQF staff ratios to children requirements are designed to support inclusive practice for children with

special needs and their families. The new ratio requirements assist educators in providing individualised assistance and differentiated learning experiences for children with special needs. In addition to children with special needs, research has identified that vulnerable children from disadvantaged family backgrounds generally require more intense support because many of them have developmental and learning difficulties or delays. Educators can provide more effective interventions and support for children and families when there are higher, rather than lower levels of staff to child ratios (Munton et al., 2002).

In addition to improved outcomes for children, higher staff to child ratios encourage educators to want to work with young children because there is less stress for them and they appreciate the increased opportunities for more sensitive, responsive care and education for every child (Munton et al., 2002).

The vocal but limited opposition to the NQF staff to child ratio requirements ignores the fact that the changes to the ratios under the NQF are not that different from some previous state or territory regulations as well as the actual practice of many ECEC centres who operated above the legal minimum requirements for staff to child ratios (Rush, 2006).

The implementation of child to staff ratios for children between 36 months and school age are already in place in many jurisdictions across Australia. All state and territory governments and the Australian Government signed up to the COAG agreement in December 2009 to improve the quality of child care in Australia. Under the NQF it was agreed that new staff to child ratios would be implemented gradually to allow the sector to prepare and minimise the impact of the changes so that they would not occur all at one time. States and territories that did not meet the ratio requirement, for children 36 months to school age, negotiated individual transitional arrangements so that these ratios would come into force on 1 January, 2016.

Staff qualifications

Research is unequivocal on the link between staff qualifications and training and improved outcomes for children in ECEC programs. A comprehensive review of the literature on *Determinants of quality in child care* (Huntsman, 2008 p. iii) concluded that across age groups and service settings 'the most significant factor affecting quality appears to be caregiver education, qualifications, and training'.

The UK Effective Provision of Pre-School Education project (EPPE), one of the most comprehensive and widely regarded longitudinal studies, found that settings which have staff with higher qualifications have higher quality scores on quality rating systems and children make more progress as learners. The EPPE findings show that having trained teachers working with preschool children (aged three to five years) for a substantial amount of time had the greatest impact on quality and was linked specifically with improved outcomes for children's literacy and social learning at age five

(Sylva et al, 2004). The NQF requirement for an early childhood teacher to be employed for 25 preschool children or more is in direct response to the EPPE findings.

Research in the US also confirms that children in ECEC settings led by an educator with a bachelor's degree in early childhood show greater progress and achievement in language, literacy and numeracy learning and are better prepared for school compared with children in programs led by less qualified educators. In addition, there are less reportable child accidents or serious incidents when educators with higher qualifications are employed (Vandell & Wolfe, 2000). While experience as an educator is helpful for ongoing professional development, research shows that experience is no substitute for formal qualifications and early childhood education training (Kontos & Feine, 1987).

Why do higher and relevant early childhood qualifications and ongoing training make such a significant positive difference to child outcomes? As the *Strategies for children coalition research* report (2000) states, 'better prepared teachers teach better' because they:

- have deeper knowledge of child development and how children learn
- are more responsive to children's interests, strengths and needs
- have more advanced skills in guiding children's behaviour and planning for individual differences and learning including using effective early intervention strategies
- understand the significance of relationships for learning and have the skills to develop the type of relationships which foster learning dispositions in children which in turn promotes children's thinking skills, attentiveness, language skills and sociability
- have the knowledge and skills to form partnerships with families in supporting every child's learning and development
- are paid more and therefore are more likely to be retained and stay in the sector which helps programs to maintain quality over time and reduces disparities in outcomes between services.

(American Academy of Pediatrics, 2005; Burchinal et al., 2002; NCEDL, 2000; Sylva et al., 2004).

The Australian Institute of Family Studies (AIFS) has identified ongoing challenges for early childhood educators working with complex families and children who need multi-faceted support. Research undertaken by AIFS and the Centre for Community Child Health shows the need for improving the qualifications, training and skill base of early childhood educators to ensure they have the capacity to provide sensitive and culturally responsive programs to meet the complex needs of an increasing number of families and children (CCCH, 2006; McDonald, 2010; Moore, 2005).

Educators with low qualifications and limited training, as Shonkoff (2011), Hamre & Pianta (2004) and others have identified, are at high risk of burning out, suffering from depression and poor emotional health which compromises their ability to develop the type of relationships that support young children's learning and development. These findings provide compelling evidence on the importance of staff qualifications and training requirements in the NQF and the need to hold firm on

these comparatively basic commitments if we are to raise the overall quality of early education and care provision in Australia.

Physical environment

The physical environment is an important contributor to the provision of quality early childhood education. Early childhood development occurs through play and exploration. It is important that there is sufficient space, facilities and accessible pathways to create learning spaces that provide rich opportunities for creative play both indoors and outdoors appropriate to the climate and location of the service. Well-designed buildings and outdoor learning areas are usually the outcome of collaboration between architects, landscapers and builders working with experts in early childhood development, early learning and age-appropriate play.

Beyond minimum regulations and requirements for safety, there are many 'good practice' design principles that could be better articulated and shared with developers and town planners reviewing development applications. Examples include: access corridors that allow high flow through without disrupting children in play zones, toilets easily accessible from indoors and outdoors, flexible spaces for gross motor development and imaginative play that can expand or contract in size etc.

Poorly designed centres are difficult places to work and can have a number of negative consequences on child wellbeing, often leading to behavioural difficulties. Many owners and operators of early childhood services have inherited poorly designed early childhood centres and outdoor learning areas where the cost of redesign and modifications can be very high. The issues for outside school hours care can be even more challenging as many are operating in school and community premises that are not fit for the purpose.

While there have been some very good guidelines and publications on design for early learning these are dated and not readily accessible.¹

ECA supports the development of best practice guidance for the design of ECEC and OSH centres and outdoor learning areas. This would be a cost effective way to support individual operators commissioning design work for new centres or expansion or renewal of existing premises.

Parent education and engagement

While the research on the determinants of quality in ECEC is very clear, it is not widely known or understood amongst parents and the general public. This leads to an often ill-informed social

¹ Examples include Henderson (2001). *Outdoor learning environments children 0–8*, Department of Education, Training and Employment, SA; Berry, P. (2001). *Playgrounds that work: Creating outdoor play environments for children birth to eight years*, Pademelon Press and Walsh, P. (1996). *Best practice guidelines in early childhood physical environments*, NSW Department of Community Services.

discourse questioning of the need for quality regulation. ECA believes there would be value in educating the public, particularly parents with young children, on the importance of quality in ECEC. This would also encourage more informed social commentary.

Early childhood educators recognise that parents are the first teachers and have the most important role in supporting early childhood development. The quality interactions between parents and their children remain important, even as the child is attending ECEC. The OECD suggests that the continuity of children's experience across environments is greatly enhanced when parents and staff-members exchange regularly and adopt consistent approaches to socialisation; daily routines, child development and learning (OECD, 2006). ECA has particularly supported the expansion of HIPPY program to 100 sites for this reason.

Figure 4: Summary points from the evaluation on the national rollout of HIPPY

The Home Interaction Program for Parents and Youngsters (HIPPY) is a combined home and centre-based early childhood enrichment program that supports parents in their role as their child's first teacher. The program targets communities that experience various forms of social disadvantage. Home tutors who have been recruited from the local community work with parents as peers over two years during the critical period of the child's transition to full-time school. HIPPY aims to ensure children start school on an equal footing with their more advantaged peers, as well as to strengthen communities and the social inclusion of parents and children.

- The gap observed in HIPPY children's early numeracy and early literacy skills at the beginning of the program, compared with the Australian norm, had closed by the end of the program.
- HIPPY children had fewer problems with their peers—which is one of the five measures of the child's socio-emotional adjustment.
- For parents who completed more of the program rather than less of the program, their child displayed higher levels of pro-social behaviour—a second measure of the child's socio-emotional adjustment.

Source: Liddell et al (2011).

ECA supports further development of Engaging Families in the Early Childhood Development Story to extend its reach to all families with small children. For a relatively small cost this project has the potential to deliver improvements to developmental outcomes of children by building awareness among parents of the importance of the early years for learning. This will also help parents to understand the role of early childhood education and care so that they are more willing to engage with learning in ECEC services and continue this learning in the home.

Figure 5: Engaging Families in the Early Childhood Development Story

The *Engaging Families in the ECD Story* is a national project managed by the SA Department of Education and Early Development under the auspices of the National Early Childhood Development Strategy and the Standing Council on School Education and Early Childhood (SCSEEC). South Australia is the lead state for the project.

Engaging Families aims to better engage parents, carers and the community to increase their understanding of evidence-based information from the neurosciences about early childhood development and thereby influence their interactions with children to maximise early childhood outcomes. It also aims to support public understanding of the scientific rationale for early childhood development initiatives and raise awareness of available services and programs. By promoting positive early development, many aspects of disadvantage, including later learning problems and developmental delays can be reduced. The project has been designed so that the nature of the key messages and the methods of communicating them take into account the needs and interests of the following groups:

- remote and regional communities
- families with culturally and linguistically diverse (CALD) backgrounds
- refugees and new immigrants
- Indigenous communities
- 'hard to reach' families/parents/carers.

Sources: Report on Stage 1: www.mceecdya.edu.au/verve/_resources/ecd_story-final_project_report_of_stage_1.pdf; ARACY summary: www.aracy.org.au/documents/item/118.

Recommendations

- 5) **Maintain a national commitment to quality ECEC, acknowledging the strong research evidence for determinants of quality including:**
 - a. the qualifications required of staff
 - b. numbers of qualified staff
 - c. staff to child ratios
 - d. requirements regarding group size, health, safety and physical space.
- 6) **Develop best practice guidance to drive improvements in physical learning environments for early childhood education and outside school hours care.**
- 7) **Increase public education on the determinants of quality in ECEC to assist family decision-making and support better informed social discourse.**

3.2 Maintain the National Quality Framework

ECA supports the continued implementation of all agreed milestones under the National Quality Agenda for Early Childhood Education and Care to 2020. The NQF has achieved—for the first time in Australia—a clear national focus on the importance of quality education and care for children. This gives practical effect to decades of research into the positive outcomes generated by high-quality early childhood settings. It is also important to remember that the NQF streamlined many of the state and territory government regulations that previously applied to ECEC services, reducing duplication and complexity.

ECA has been at the forefront of helping ECEC providers and educators understand and implement the NQF. In the period 2011–2013, ECA was funded by the federal government to produce and deliver the *National Quality Standard Professional Learning Program* (NQS PLP), an online resource hub that provided the ECEC sector with information and practical self-help resources as well as opportunities for sharing information and seeking advice from experts.

Based on a wealth of feedback that ECA has received over the past three years, we are in no doubt that the NQF is supported by a very large proportion of ECEC educators and service providers, and that the sector is making progress towards meeting the standard.

Although the NQS is still in its introductory phase, ECA has been struck by the enthusiasm shown by so many service providers and educators for the new national standard (see Box 1 and Attachment 1). This does not mean that the NQS is ‘easy’—far from it, as the results of external assessment make clear (ACECQA, 2013a). However, in our experience, much of the negative sentiment generated by the announcement of the NQS has dissipated, as knowledge of the standard has grown and as services have been assessed against the standard. This view is supported by research from the Australian Children’s Education and Care Quality Authority (ACECQA), which found a strong correlation between services that have been through the assessment process and service providers who express strong support for the NQF and who perceive a relatively low level of ‘administrative burden’ associated with the new system (ACECQA, 2013b).

ACECQA (2013) reports that 78 per cent of providers were either very supportive (42 per cent) or supportive (36 per cent) of the NQF with providers whose services have been quality rated amongst the groups most supportive of the NQF. Significantly, the ACECQA research identifies that while the transition to the NQF created a sense of administrative burden for some, this is likely to reduce over time in both a real and perceived sense.

There are some final components of the reform agenda which are yet to be implemented for preschool and long day care, including:

- by 1 January, 2016, moving to staff to child ratios of 1:11 for children between 36 months and school age in long day care

- by 1 January, 2020, ensuring a second early childhood teacher or another suitably qualified leader is in attendance for at least half the time the service is being provided, and where there are more than 80 children, the teacher is in attendance whenever the service is being provided.

ECA considers these quality milestones to be critical to children’s developmental outcomes and are achievable according to the timelines. We believe that the 2016 ratio changes in certain states are achievable based on the current timelines. A smooth transition has occurred with improvements to staff to child ratios for babies from birth to two-year-olds on 1 January, 2012 and family day care ratios on 1 January, 2014. Services in transitional states will have had six years to implement the changes, despite other services operating at these standards in other jurisdictions for years.

While we support the core components of the NQS, we recognise that there are ways in which its implementation can be simplified and streamlined. ECA and the National Children’s Services Forum has worked with the Department of Education and ACECQA to identify ways to reduce red tape where there is no impact on quality but considerable efficiencies to be gained. We will continue to do this through the review of the NQS during 2014.

The review of the NQF planned for later this year is also likely to identify refinements and opportunities for streamlining the assessment and rating process to the benefit of service providers. It also provides an opportunity to undertake further work to ensure the NQS is appropriate for outside school hours care and services operating outside the mainstream such as remote services operating mobile services or services tailored to Aboriginal and Torres Strait Islander communities.

Some degree of certainty regarding the NQF is important to ensure that services can continue to make important investment decisions and undertake planning for the future. ECA urges the Productivity Commission to support the continued implementation and refinement of the NQF.

‘Negative’ features of the NQF

Those who voice objections to the NQS are often services that have not yet had an assessment visit and may be misinformed about the requirements. The majority of services that have been through an assessment report that there are considerable improvements on previous systems of regulation. There are some aspects of the NQS that cause genuine difficulty—for example there are rural areas where it can be very hard to attract a four-year degree trained teacher. Nonetheless, the standard is justified and the difficulties are not insurmountable. Children in rural areas deserve the same quality of service as those in metropolitan areas. Increased support for the sector and coordinated national strategies to address workforce shortages would go a long way to addressing challenges.

The negative nature of some public discussion and media coverage of the NQF warrants close scrutiny. Much of this coverage focuses on a few ‘hot button’ issues, such as ‘regulatory burden’ and the new requirements for early childhood qualifications. This conclusion is supported by ACECQA

research, which shows that ‘documenting children’s learning’ is perceived by many educators as a highly burdensome ‘administrative activity’ (ACECQA, 2013b).

It is clear that some of the perceived ‘administrative’ or ‘regulatory’ burden associated with the NQF is generated by a poor understanding of actual requirements. For example, the NQS requires educators to prepare ‘documentation about each child’s program and progress’, but does not mandate a particular type of documentation, or how often observations and documentation should be produced (ACECQA, 2011). Some educators are placing too much emphasis on documentation, rather than engaging in teaching. As early childhood expert Anne Stonehouse puts it,

‘... it seems to me some educators and services over-emphasise it. It’s almost as though some educators think that *how you write down* what you’re going to do and observations of a child or children is more important than practice or pedagogy—*what you do*.’

Assessing children’s learning and development is very important, in order to ensure that each child’s needs are being met. However, a balance needs to be achieved so that educators can spend as much time as possible with children. There is nothing in the wording—or the intent—of the NQS that encourages a heavy emphasis on documentation, but a misperception exists nonetheless. The solution to this problem lies in ongoing, affordable professional support.

Outside school hours care and the NQF

Outside school hours care is an important part of our sector but we support the establishment of a specific plan to address the unique challenges of school aged services. There is a need to determine which qualifications are required for those employed in school age programs and what requirements generally should be supported for OSHC services under the NQF.

Consistency issues

The NQF was introduced to both raise the quality of care and education to children and enhance consistency across jurisdictions. The implementation of this was delayed in WA due to delays in passing the legislation. This has meant that the implementation of many of the reforms have also been delayed. Furthermore, the education and care sector in WA is clearly divided into care and education. There are separate government departments responsible for care and education. Many of the preschool services operate under the Education Act, not the Education and Care National Law. This has resulted in pre-kindergartens and kindergartens in WA falling outside of the NQF. The Premier has made a commitment that while pre-kindergartens and kindergartens do not work within the NQF, they will meet the NQS. In addition, the WA Minister for Education has decided that most of the NQS will be applied from pre-kindergarten through to Year 2 in all WA schools. This will be achieved through an initial self-assessment by educators, an internal assessment process by the school principal and a validation process.

Sector development and support

Many of the challenges with the NQF implementation can be addressed through sector development initiatives in the areas of workforce development and professional development.

As previously identified, the documentation of children's learning is a current source of some misunderstanding and frustration among educators and service providers. While a common criticism of the NQS is the amount of documentation required, ECA believes that this stems from a misunderstanding of what actually constitutes reflective practice.

ECA believes that strong professional support is the best way to improve understanding of this aspect of the NQS. With the introduction of any new system, training and support is required to ensure that implementation is successful. The previous federal government put in place two major initiatives to support the transition to the NQF; the Professional Support Coordinators and the *National Quality Standard Professional Learning Program (NQS PLP)*.

As the Commission noted in its Inquiry into the Early Childhood Development Workforce:

ECEC staff will require leadership and support to enable them to gain the most from the new policies, particularly in the transition period, given the paradigm shift in the way programs are planned and delivered, and in how a service is now expected to be managed. Especially in small, stand-alone services, where staff can be quite isolated, appropriate support is vital.

Workforce development and professional training

ECA welcomes the government's decision to redirect funding from the Early Years Quality Fund (EYQF) to support professional development for the long day care sector. This represents a substantial investment (estimated \$230 million) in professionalisation which will help the sector to upskill its workforce. Increasingly children enter long day care at a young age and typically spend three days per week or more at the service (average 27 hours per week) which means the service is a significant part of their life and the competency of educators is very important in determining the positive benefits they can take from experience.

ECA also supports the work of the Professional Support Coordinators, the Indigenous Professional Support Units and the Inclusion Support Agencies which provide important training across the spectrum of service types and professional roles in the sector.

In addition, the Australian Government has implemented a range of initiatives aimed at supporting, training and retaining an experienced and qualified early childhood workforce and these are complemented by state and territory government training programs and accompanying workforce strategies. Some examples include:

- recognition of prior learning initiatives

- national partnership on TAFE fee waivers
- HECS/HELP benefit.

The National Early Years Workforce Census will provide further evidence regarding how these programs are assisting the sector to meet its workforce training needs.

To meet long-term workforce development needs, ECA supports the listing of Diploma and Advanced Diploma qualified (or equivalent) early childhood educators (child care workers) on the Skilled Occupation List (SOL) which applies to independent points based skilled migration (not nominated by state or territory governments) and Family Sponsored applications. It is also used by Temporary Graduate (subclass 485) visa applicants in the Graduate Work stream.

Rural and remote

While the sector has made significant progress in meeting the qualification standards, there is still an ongoing shortage of qualified educators, particularly at the degree and diploma level in rural and remote regions. One provider commented:

... we offer interest free loans for approved course (cert, dip, degree) and an internal scholarship program. These initiatives have been successful. However, we do have issues with rural and remote services—we are looking at different models to support meeting requirements ... but already face waivers in one service.

Many regional services and small provider services often struggle to network with other early childhood educators and teachers. This isolation can limit professional development opportunities and inhibit the potential of services to address operational challenges. Collaboration between services on a regional basis has been shown to be effective in meeting local challenges, by co-sponsoring applications for workforce development funding, adopting joint recruitment and retention strategies and sharing workforce development opportunities. The adoption of shared services approaches may reduce expenditure in areas such as training and recruitment costs and benefit all services as well as the whole community.

As part of the Regional Education, Skills and Jobs Plans in the Building Australia's Future Workforce (BAFW) the Department of Education, Employment and Workplace Relations (DEEWR) deployed 34 Regional Education, Skills and Jobs (RESJ) Coordinators to work with local stakeholders to develop Regional Education, Skills and Jobs Plans for the 46 Regional Development Australia (RDA) areas that cover non-metropolitan Australia. The plans present locally identified opportunities and challenges and outline local strategies to improve education, skills and jobs outcomes in regional Australia. The Riverina Early Childhood Strategic Leadership and Development Network is a good example of collaboration through a network on workforce development. ECA considers that wider adoption of these networks would improve workforce development of services in more regions across Australia (see Figure 23).

Figure 6: Riverina Early Childhood Strategic Leadership and Development Network

Following an early childhood education and care (ECEC) industry roundtable in Griffith in June, 2012 the Riverina Early Childhood Strategic Leadership and Development Network was established.

This group was formed in direct response to industry requests for increased links among service providers to share resources and experiences and to develop strategic and targeted solutions to the workforce development needs of the sector. The Network will identify and implement key strategic priorities and projects for the ECEC sector across the Riverina. The group has developed its own governance framework (terms of reference) and will develop strategies and projects including:

- ECEC roundtable forums with focus on the use of technology within the industry
- an industry promotional package to target recruitment and retention of staff within the industry
- leadership and management training for ECEC directors and educators within the region
- surveying employers to support the development of a National Workforce Development Fund application.

The Network is attended by a wide range of small community and for profit services as well as large providers with a presence in the Riverina.

Industrial capacity

There is room for substantial improvement to the industrial capacity of ECEC services. When the EYQF was announced as a fund to lift wage rates in long day care services, many services lacked any industrial support to deliver enterprise agreements required to make an application to the fund. Many services without capacity relied on union representatives to draw up these agreements and provide advice on their implementation. These agreements had significant implications for the business operations, yet some services were not seeking independent advice. As Fair Work Australia considers the Equal Remuneration Application on the Children's Services and Teacher's Award submitted by United Voice, industrial relations capacity is likely to become more important in the future.

Enterprise bargaining is a way of fostering a culture of change in the workplace and is a valuable tool in the process of continuous improvement. It can assist in the creation of responsive and flexible enterprises and help to improve productivity and efficiency. Increased productivity can provide higher wages to workers or more secure and satisfying work, higher profits to employers and lower priced goods and services to the public (Fair Work Ombudsman, 2013). Human services capacity is also important to ensure that services deal with their employees effectively, especially in situations where an employee puts children's safety at risk, and performance management and/or termination is required. ECA is mindful of the ongoing Royal Commission into Institutional Responses to Child Sexual Abuse and believes that strong human resource management may help mitigate the risks of child sexual offenders being employed, in conjunction with legislated background checking systems. While some ECEC services are members of employer industrial organisations, many are not, and the

level of advice may vary. A review of industrial relations arrangements in the ECEC sector could help to determine whether a strengthening of industrial relations advice in the ECEC sector is warranted.

Figure 7: ACT industrial relations advice and support service

A Review of industrial relations arrangements in the ACT community sector recommended the provision of industrial relations advice for the ACT community sector (HBA Consulting, 2008). This service was then funded by the ACT Government. The service's objectives were the:

- establishment of a single source of advice for shared community sector industrial relations advice. At present, organisations are required to individually source information on issues of general application across the sector. This is both inefficient and ineffective from a resource management and expenditure perspective, and has a strong potential to result in inconsistent advice and resultant action on sector wide matters
- establishment of a single market tested source of organisational specific industrial relations advice to enable organisations to source quality advice at rates that are established as being market competitive
- establishment of a regular industrial relations update service available to all ACT community sector organisations to provide regular networking forums and contemporary information sources for community sector organisations.

Recommendations:

- 8) Continue workforce development initiatives where they are still needed and proving effective and consider listing the Early Childhood Diploma qualification on the Skilled Occupation List.**
- 9) That regional early childhood networks be established across Australia to enhance leadership and development opportunities in collaboration with other services.**

3.3 Quantify the cost of quality regulation

The Productivity Commission has been tasked with determining if the cost of the NQS is justified.

Australian families expect early childhood services to be available when they need them at an affordable cost. At the same time, families expect services to be of high quality and competent in providing education that gives young children the very best start in life. In a survey commissioned by ECA in 2012, 87 per cent of parents with children under the age of eight years agreed with the statement 'We can't cut corners on early childhood education and care if we want our children to thrive later on' (Essential Media, 2012). Families also understand the importance of quality

standards, the need for government regulation and the case for professional wages to be paid to educators in the ECEC sector.

Quality does have a very real impact on the cost of service delivery, however it is very difficult to separate this cost from other cost drivers such as longer operating hours, increasing facilities costs and the administrative burdens associated with the child care benefit system all of which warrant examination to find cost savings before compromising on quality. Indeed, any assessment of the cost of quality regulation needs to separate the cost of other forms of regulation and administrative burden that early childhood services experience—workplace health and safety, small business and not-for-profit reporting, Child Care Benefit (CCB) and Child Care Rebate (CCR) management systems etc.

The modelling of the NQF associated with the Productivity Commission's Inquiry into the Early Childhood Development Workforce was disputed by the government in its Interim Response to the Report, as it did not take into account the staggered implementation approach of the reforms. The actual data released on the cost impact of the NQF is provided in the *Child care in Australia* report (DEEWR, 2013, p.7). This data shows a total average fee increase between September quarter 2011 and September quarter 2012 has been approximately 50 cents per day, of which approximately 45 cents would be accounted for by trend growth (assuming annual growth of 6.9 per cent, as shown in Figure 2). A 50 cent per day impact (5 cents per hour for a 10 hour day) is less than the Access Economics' estimate of an increase of approximately \$1.07 per day between 2011 and 2012.

ECA notes that this data only reflects child care fees in the lead up to and during the first year of the NQF, before the introduction of qualification requirements in 2014 as well as further ratio changes. However, the modelling associated with the NQF undertaken by Access Economics took this staggered implementation into account.

We do not think there is any reason to believe that aggregate cost increases will be substantially higher than the modelling suggests in the original Regulatory Impact Statement for the National Quality Agenda.

The only reliable aggregate data on child care fees is that provided by every CCB approved service through the Government's Child Care Management System (CCMS). Some of this data was released for the first time in the *Child care in Australia* report (DEEWR, 2013). ECA supports the regular release of this information to ensure maximum transparency, and enhanced analysis on the actual cost impact of the NQF as the implementation progresses. This should be provided on state by state level, regional level, by service type, and by income of families accessing the services.

While a cost-benefit analysis of the NQF—focusing on the outcomes for children and the broader Australian society and economy—is not a simple matter, we would urge the Commission to ensure that its assessment of the NQF takes full account of both the short-term and long-term effects of investing in high-quality ECEC. This is not to dismiss the concerns of ECEC service providers who are

struggling with supply-side costs (perhaps caused by multiple factors); rather, we are seeking a national-level analysis of the prospects of the NQF, which incorporates the views of service providers during this introductory phase, but also looks to the future.

If the focus was solely on the costs associated with hiring educators with higher qualifications, or hiring additional educators to create better educator-to-child ratios, without taking account of the benefits derived from these measures such as reduced staff turnover, higher productivity and greater stability in utilisation, we will not see the full picture.

It is important to look at the quantum of impact compared to the alternatives. For example, the employment of a residual and unqualified workforce in ECEC has historically been highly problematic with a high failure rate, inefficiencies from constant training and high rates of staff turnover and workplace injuries, as well as poor quality outcomes and in some cases catastrophic failures resulting in child fatalities or harm.

It is also important not to conflate the fees charged by ECEC services with the cost of delivery. For most services there is a proportion of the fee that is discretionary, this may include a profit or surplus margin or a component used to cross-subsidise other programs.

Many factors impact on fees charged, including market forces and the capacity of parents to pay for convenience as well as quality. Preliminary analysis provided below suggests that services may be 'high quality' but not 'high cost' and vice versa.

Analysis on fees and quality ratings

ECA has examined the fees charged by long day care services² in the ACT and NSW to compare this with their assessed quality ratings to determine if higher quality ratings have a direct correlation with higher fees. Although the sample is small (60 services), the results indicate that higher daily fees are not obviously, or strongly correlated with higher quality assessment ratings. In this sample the services with the highest quality ratings are not charging higher daily fees and those with the

² Early Childhood Australia gathered information collected from ACECQA and the mychild.gov.au website to assess daily costs and quality assessment ratings. The data set chosen only featured long day care providers from NSW and the ACT which had been assessed against the NQS. The sample featured 64 centres which displayed their daily fees and had been assessed against the NQS with the resulting quality rating published on the ACECQA website. The daily fees in many centres differ according to age brackets. To ensure consistency across the data, only fees related to 36 months to preschool age (four years of age) were analysed. The daily fees charged by centres in the sample ranged from \$50.00 per day to \$125.00 per day. In the sample of 62 services, 10 had achieved the highest rating of 'Exceeding NQS'; 11 had achieved 'Meeting NQS' and 41 were rated as 'Working Towards NQS'. The graph shows the proportion of services within each quality rating that charge daily fees across five brackets. The pattern is very similar across the three quality ratings with the majority of services charging between \$71 up to \$100 per day.

lowest quality rating are not charging lower fees. A wide variation in fees is apparent across all ratings.

Figure 8: Proportion of services by fees charged and quality rating

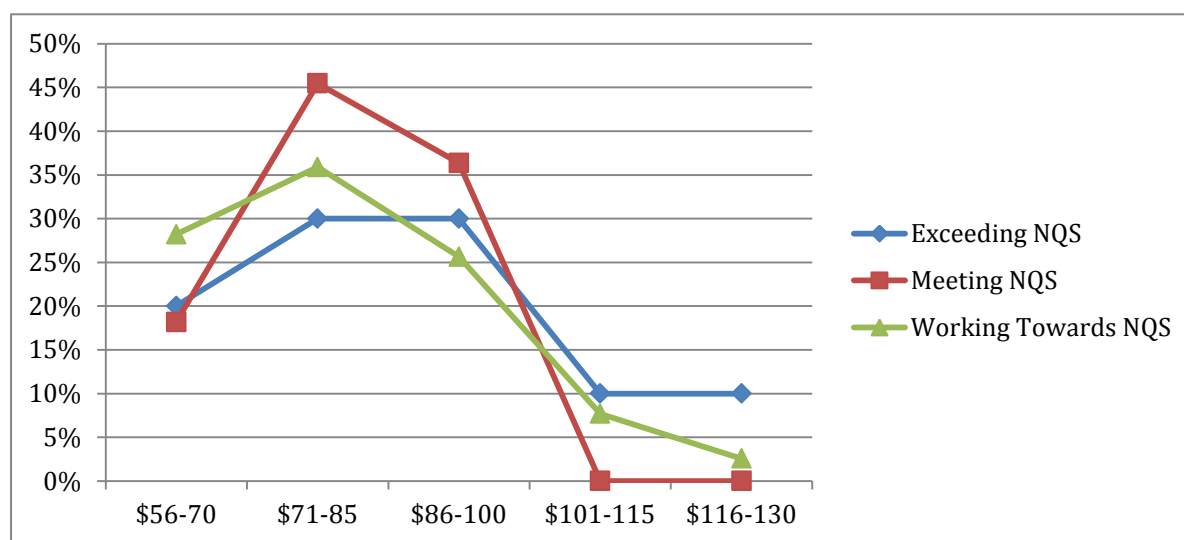


Figure 9: No. of services across fee brackets

NQS Assessment Rating	\$56-70	\$71-85	\$86-100	\$101-115	\$116-130	Total
Exceeding NQS	2	3	3	1	1	10
Meeting NQS	2	5	4	0	0	11
Working Towards NQS	12	14	10	4	1	41
Total						62

Figure 10: Proportion of services by rating, across fee brackets

NQS Assessment Rating	\$56-70	\$71-85	\$86-100	\$101-115	\$116-130	
Exceeding NQS	20%	30%	30%	10%	10%	100%
Meeting NQS	18%	46%	36%	0%	0%	100%
Working Towards NQS	29%	34%	24%	10%	3%	100%

ECA recognises that the fees listed on the MyChild website are from a certain point in time and they may have since changed. However, they still provide a useful indication on the fees charged by centres.

This brief analysis appears to suggest that factors other than quality of service delivery are having at least as much, if not more influence on daily fees charged by long day care services. These factors may include the cost of premises (location), operating hours, staff wage rates and other factors yet to be identified. More research into the cost drivers is needed to draw any definite conclusions. In addition, strategies to contain and reduce costs would need to be carefully managed to ensure that there is an impact on fees and affordability. Thorough research on the actual cost of delivery and the potential for cost reductions is needed.

Recommendations:

- 10) Support the continued implementation and refinement of the National Quality Framework (NQF) to provide certainty to the sector and ensure ongoing quality improvement.**
- 11) Maintain support for the sector to implement the National Quality Standard (NQS) through sector development, workforce development and professional development initiatives.**
- 12) Undertake thorough research to quantify the cost of quality and other cost drivers, ensuring that any strategies to reduce cost would actually have an impact on fees.**

4 Reasons to invest in ECEC

4.1 Outcomes for children

There is now extensive evidence demonstrating that the care and education of young children (birth—eight years) greatly impacts on their health, wellbeing and resilience throughout their lives. The early years are a time of rapid brain development and a secure, nurturing environment provides a solid base for learning. A child's learning and development is a critical foundation for success in schooling and later life. (Oberklaid, 2007)

Research supported by the OECD shows that investment in the early years increases the productivity of the next stages of development and accumulates into adulthood (OECD, 2006, p.37). This is reflected in the Early Childhood Development Strategy; 'national effort to improve child outcomes will in turn contribute to increased social inclusion, human capital and productivity in Australia. It will help ensure Australia is well placed to meet social and economic challenges in the future and remain internationally competitive' (COAG, 2009, p.4). The federal government has an important national leadership role in supporting the strategy, reflecting its role as the principal investor in the Australian ECEC sector; an investment of around \$26 billion over the next four years including around \$23 billion in government child care assistance paid to families (Department of Treasury, 2013, p.36).

While the positive impact of ECEC is unequivocal for disadvantaged children, some argue that the evidence is not sufficient to demonstrate a clear return on investment in ECEC for children who are not disadvantaged. However, there is evidence that increased participation in early learning is linked to enhanced education outcomes and the development of 'soft skills'. There is also research to suggest that variations in children's outcomes measured in mainstream ECEC can be explained by the quality of the ECEC the child receives (Barnett & Nores, in press; Ruhm & Waldfogel, 2011; Sylva, Melhuish, Sammons, Siraj-Blatchford & Taggart, 2012). This means that quality is significant to ensuring that a universal system of ECEC delivers benefits to all participating children and to the community more broadly.

Children's development

There is now a breadth of evidence demonstrating that the care and education of young children (birth to eight years) greatly impacts on their health, wellbeing and resilience throughout their lives. The early years are a time of rapid brain development; when the child's environment actually helps program the development of neural circuits in the brain. A child's learning and development is a critical foundation for success in schooling and later life (Oberklaid, 2007).

This means that the positive and responsive interactions between the child and their caregiver is critical—whether this be through a parent, carer, grandparent or an early childhood educator (Britto et al., 2013). This interaction enables the child to be exposed to language, exploration and learning.

If these positive interactions are not enabled, then the consequences can be profound. Respected Australian Paediatrician Professor Frank Oberklaid's research shows that:

If reading skills and learning motivation are not established in the early years, there is a significant risk of subsequent poor educational and behavioural outcomes ... These are likely to include early school leavers with poor literacy levels and life skills, and those over-represented in adult populations who are on welfare and participate in crime. (Oberklaid & Moore, 2007)

Attendance at early childhood education programs has been found to have beneficial effects on a child's readiness for future learning and their ability to make a successful transition to full-time schooling, particularly among disadvantaged children. Children who attend quality early childhood education programs show better performance and progress in their early school years in intellectual, cognitive and social domains (Barnett, 2008).

While a high-quality education program can provide an important head start for children as they make the transition to school, poor-quality education programs can provide no benefit or even cause children to perform less well (Elliott, 2006).

Education benefits

Many analysts are concerned that Australia is falling behind other OECD nations in education. Young people aged 15 years are performing moderately well when compared to their peers in OECD countries but the performance of Australian children in Year 4 in reading, writing and numeracy is ranked in the bottom third of OECD countries (ARACY, 2013). Data from the AEDI suggests that one in five Australian children are starting school developmentally vulnerable on one or more domains. This increases to one in two for Aboriginal and Torres Strait Islander children (Australian Government, 2013). However, there have been improvements in Queensland between 2009 and 2012 largely attributed to increased preschool participation in that state.

Attendance at early childhood education programs has been found to have significant beneficial effects on a child's readiness for future learning and their ability to make a successful transition to full-time schooling, particularly among disadvantaged children. Children who attend quality early childhood education programs show better performance and progress in their early school years in intellectual, cognitive and social domains (Barnett, 2008).

Australian research shows that attendance at preschool has significant positive effects on Year 3 nation-wide NAPLAN test outcomes, particularly in the domains of numeracy, reading and spelling

(Warren & Haisken-DeNew, 2013). This study also found that the qualifications of the preschool teachers are very important. Children whose preschool teacher had a degree in Early Childhood Education or a Diploma in Early Childhood Education or Child Care gained the most from attending preschool, while children whose teacher had only a certificate level qualification or no relevant qualification showed no significant benefit in terms of Year 3 NAPLAN scores.

These results confirm the importance of high-quality preschool programs for later cognitive outcomes. The COAG agreement ensuring that all children in Australia have access to a high-quality early childhood education program delivered by a degree qualified early childhood teacher in the year before formal schooling and the introduction of the new NQS for early childhood education and care providers in Australia (in January, 2014) are likely to have substantial long-term benefits, particularly for children who would not have had the opportunity to attend a preschool with a suitably qualified teacher if these reforms had not taken place. Even three years after preschool, NAPLAN scores of Year 3 children are significantly higher than those who had not attended.

Qualified teachers in long day care

While there is a traditional divide between preschool and long day care there is no reason that the benefits of preschool education cannot be provided through long day care, under an integrated funding model. Currently, many families accessing preschool education through a long day care centre pay the usual fees reduced by the amount of their eligibility for Commonwealth support and, where they exist, state/territory subsidies. As the states and territories implement the 'universal access' program, collaboration with the states to achieve a more nationally consistent approach to preschool provision would be welcomed.

Ideally, 'Children's services should provide comprehensive developmental programs that integrate both care and education, for children from birth to school entry' and 'separating care and education in the early years fails to acknowledge the interwoven nature of early learning and development'. These quotes are from a Centre for Community Child Health (CCCH) Policy Brief, *Early years care and education* (CCCH, 2007) which also summarises the immense literature on this topic. The need for this integration has been endorsed by COAG and is assumed in the Reform Agenda, including in the *Early Years Learning Framework* (EYLF) and NQS reforms.

The NQF requires an early childhood teacher in long day care and preschool services of 25 children or more. Additional early childhood teachers will be required for larger services by 2020. The intention of this is to deliver high-quality preschool programs across the long day in long day care centres in complement to state funded preschool programs, particularly for children below preschool age.

The NQF requirement for an early childhood teacher to be employed for 25 preschool children or more is in direct response to the evidence from the report for the Effective Provision of Preschool Education (Siraj-Blatchford et al, 2003). The best outcomes for children are achieved in programs

provided across the long day and which integrate care and education, are led by a qualified early childhood teacher and where children attend for two to three years. This model is strongly demonstrated in long day care services where a teacher leads the program and is employed across the long day.

ECA notes the concerns of the Melbourne Institute (2011) with regard to ‘loop holes’ to qualified educators and teachers under the NQF. Attracting staff is also a significant issue. It is extremely difficult to attract qualified teachers to child care in some areas. Many teachers are taken up by the education sector to teach three and four-year-olds in the preschool system. Teachers in some jurisdictions (including Queensland and Victoria) have significantly better employment, salary and working conditions than those in the child care sector. Teachers in these jurisdictions often graduate from university with an expectation that they will enter the schooling system and do not see long day care as their workplace of choice.

The other issue that must be addressed is access. We note that cognitive gains associated with preschool programs in long day care settings are only limited to those children attending long day care. It is critical, therefore, that policies are implemented which increase access to all children below preschool age so that the cognitive benefits of preschool programs are extended, particularly for children from disadvantaged backgrounds.

4.2 Addressing disadvantage

Disadvantaged children have the most to gain from quality early childhood education and care. Attendance at high-quality early childhood education and care services is known to provide significant long-term benefits for disadvantaged children, including better school performance, staying longer at school and improved social skills at school and later in life (COAG, 2009a).

This does not diminish the importance of universal early childhood education for all children. All children benefit from high-quality early childhood experiences (Barnett, 2008; Burger, 2010) therefore universal provision is pursued by countries with strong ECEC programs. Universality of ECEC provision also avoids issues of stigmatisation among groups of children.

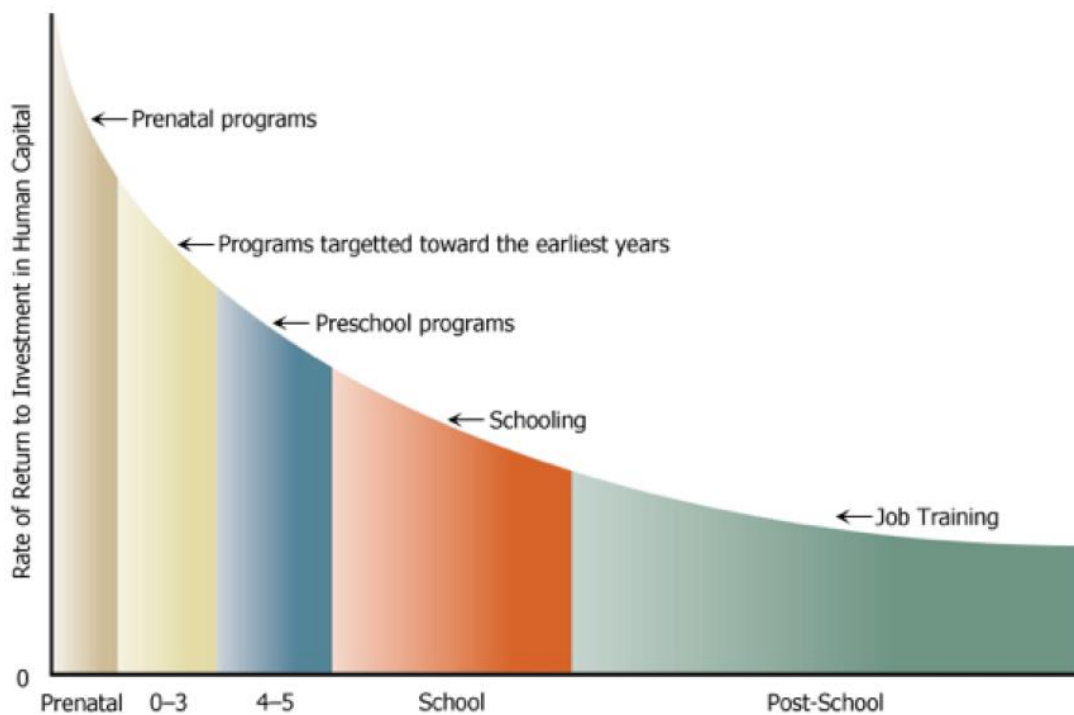
There are also many children who are not from disadvantaged communities but show vulnerabilities in particular developmental domains which can be identified and addressed through quality early childhood programs. These patterns are available through the AEDI.

A reduction in early childhood vulnerability through investment in the early years is shown to have a significant impact on a country’s GDP and is important to all sectors of society—business, government and the community. Increased investment in the early years not only improves outcomes for the individual, it also delivers significant benefits to the community in terms of future

financial savings, as well as investment in adults who can effectively contribute to the economy and community (Kershaw & Anderson, 2009).

Well known economist Professor James Heckman has written extensively on this and quantified the economic returns that can be achieved by investing in early childhood development. He cites reliable data from experiments that substantially enrich the early environments of children living in low-income families—the Perry Preschool Program and the Abecedarian Program—which use a random assignment design and collect long-term follow-up data. According to Heckman (2012) these longitudinal studies demonstrate substantial positive effects of early environmental enrichment on a range of cognitive and non-cognitive skills, schooling achievement, job performance, and social behaviours, long after the interventions ended with more recent data from assessments of Head Start and the Chicago Child-Parent Centers programs providing further confirmation.

Figure 11: Heckman’s rate of return to investment in human capital



Source: Heckman (2008)

Early intervention in the life of the child is particularly important in improving outcomes for children lasting into adult life. Due to the rapid growth in brain development during the first five years, programs that are aimed at these years have greater outcomes than those that are delayed until later in life.

Problems that can begin in early childhood include:

- mental health problems
- family violence and anti-social behaviour
- crime
- poor literacy
- chronic unemployment and welfare dependency
- substance abuse
- obesity
- cardiovascular disease
- diabetes.

By addressing risk factors early and building resilience the chances of problems developing can be reduced but this requires more than focusing on the child alone. Successful early intervention programs are integrated, and support the child by addressing the holistic needs of the family.

There are a range of models in place across Australia. The child and family centres are just one model. Other models successfully combine ECEC as a soft entry into family supports (e.g. the Children's Protection Society, Heidelberg). These models warrant further evaluation and investment over the long-term.

ECA is currently researching the extent of these additional services as part of the Early Childhood Flexibility Practices and Patterns Project. ECA is concerned that many disadvantaged communities still do not have access to integrated models of ECEC which addresses disadvantage at the earliest opportunity.

4.3 Workforce participation

The Australian Government's role in ECEC has been driven in part by the benefits of supporting workforce participation, particularly women returning to work after having children. There are important benefits from increasing workforce participation, women benefit from higher family incomes in the short term and greater retirement savings in the long term. The Grattan Institute suggests that an increase in women's workforce participation by 6 per cent would increase Australia's GDP by \$25 billion (Daley, McGannon, & Ginnivan, 2012, p.39).

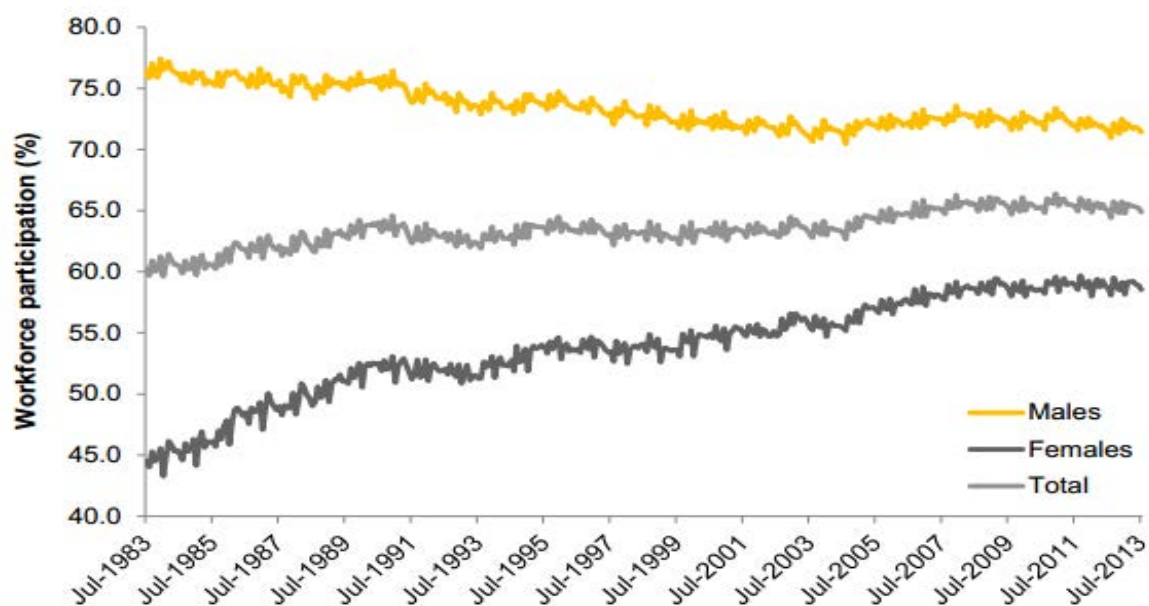
While women's workforce participation has grown significantly over the past 30 years it appears to have plateaued in the last five years at around 58 per cent (see Figure 8 above). This is well below comparable developed nations, as shown in Figure 9. There are differences between women in couple households and sole parent households, of mothers of children aged over three years, 44 per cent of lone mothers are employed and 63 per cent of mothers in a couple (AIFS, 2013).

The difficulty for policy makers is to determine the extent to which women are making a choice to balance workforce engagement and raising children or face barriers to engaging in the workforce as much as they would like.

The introduction of paid parental leave is enabling more women to stay at home with very young children before returning to work which has important benefits for parent-child attachment and family functioning. It is important that families are able to make choices about engaging in paid work and that the role of being a parent is valued at least as highly as being an income earner.

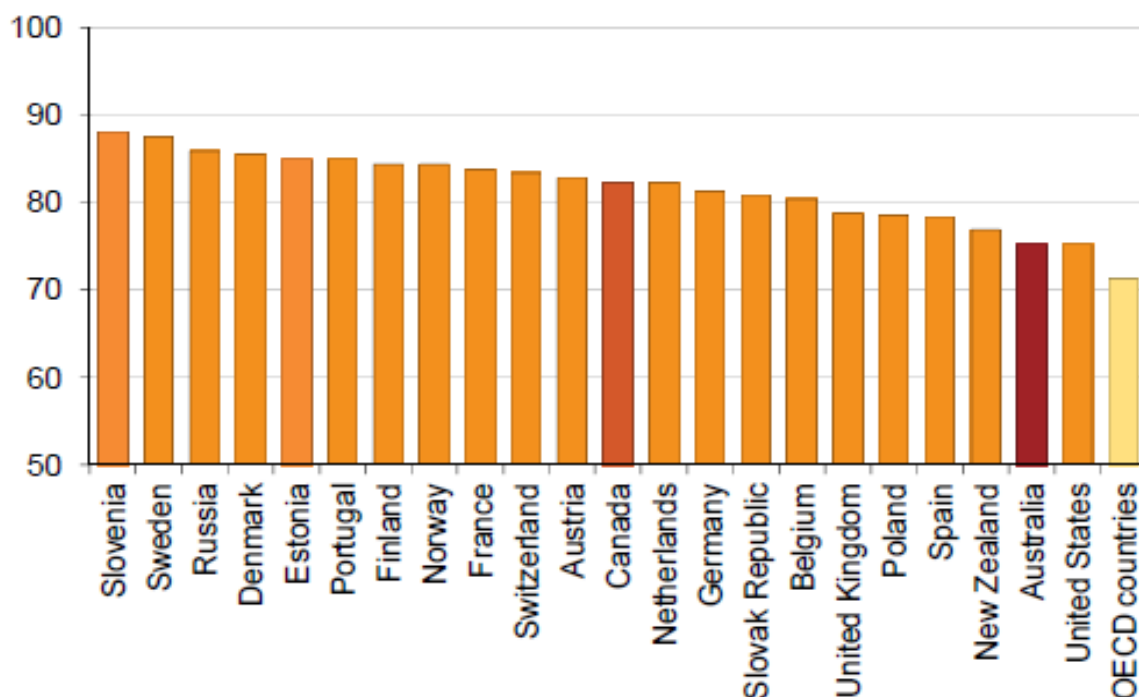
Many families will choose to have one or both parents take time out of the workforce and/or reduce their hours of paid employment in order to care for children and this can be beneficial for children and family functioning with flow on health and wellbeing outcomes.

Figure 12: Workforce participation rates by gender, July 1983–July 2013



Source: Workplace Gender Equality Agency. (2013). *Key statistics relating to workforce participation*, Australian Government. Drawing on Australian Bureau of Statistics. (2013). *Labour Force, Australia, July 2013*, cat no: 6202.0, viewed 2 September, 2013.

Figure 13: Workforce participation rates for women aged 25–54



Source: OECD (2010b).

There are a range of factors that may contribute to the decisions families are making. There are significant relationships between ECEC affordability, quality, and availability and the workforce participation of women (Bruenig & Gong, 2010, p.21).

Cost and affordability

Gong and Bruenig suggest that a one per cent increase in the gross child care price, on average, results in a decrease to mothers' employment rate of 0.07 per cent (Bruenig & Gong, 2012, p.27). This relationship has led successive governments to increase child care assistance to families to make ECEC more affordable and support more women into the workforce. Specifically, the CCR was increased in July 2008 from 30–50 per cent of out-of-pocket expenses and increasing the cap from \$4354 up to \$7500 per child per year. While this does not appear to have had a significant impact on the rate of women undertaking full-time work, the rate of women undertaking part-time work has increased markedly. This may be reflected in ECEC usage data which shows that the average weekly hours per child participating in long day care has only increased from 26.6 hours in 2004 to 27.5 in 2012 (DEEWR, 2013, p.25).

Working against affordability is the decline in the value of the CCB, which is targeted at families earning under \$150 000. CCB has been declining in real value as ECEC prices exceed indexation rates. As noted in the Commission's Issues Paper, annual long day care fee increases have averaged 7 per cent (September 2004–September 2012) (DEEWR, 2013, p.7). The CCB and CCR cap are indexed with the CPI. This may mean that the barriers to workforce participation of families earning under \$150 000 have become significantly greater as the CCB has diminished in value. Similarly, the growing number of families reaching the CCR cap, as a result of rising fees, has meant a significant increase to out-of-pocket expenses for those families.

Availability and access

The availability of ECEC is often an absolute barrier to participation; i.e. if you can't find an ECEC place, you cannot go to work. However, issues of affordability and flexibility may only affect how many hours are used and the level of participation in the workforce.

There is an acute shortage of ECEC places across some parts of Australia, particularly in metropolitan areas. However, there are gaps in the data available on the undersupply of ECEC services. Davidoff (2007) notes that parents 'often list their child on the waiting list at a number of centres simultaneously' which is sensible because they cannot be sure of accessing a place in the service of their first, or even second or third, choice. As a result, gathering waiting list data does not allow for accurate estimates of unmet demand unless a system which reconciles the data can be implemented.

There is not a measure of where supply issues are, as parents may not want to use ECEC for a variety of reasons, including that:

- the parent may wish to stay home with the child
- the parent may not be able to afford ECEC
- the parent may be concerned with the quality of ECEC
- the ECEC available may be too far away
- the ECEC is not flexible in meeting their needs.

For example, Davidoff (2007) identifies the possibility that 'unmet consumer preferences represent more of a problem for parents than access itself' (p. 74). Unmet preferences can result from a wide range of factors, and legitimately include all of those mentioned at the beginning of this section—service and program type, level of quality, location and hours.

Significantly, the OECD's discussion (OECD, 2006, Chapter 4) stresses the importance of seeing accessibility as a multifaceted concept that necessarily and simultaneously includes a whole range of attributes (OECD, 2006). Utilisation and vacancies alone give a restricted and inaccurate view of accessibility.

Options, choices and perceptions of quality

Within local government areas it is not uncommon for some services to be full with long waiting lists while nearby services are operating at marginal utilisation rates. Parents will select the service or services they want to use based on a range of factors including perceived quality and appropriate ‘fit’ for their child; convenience of location and accessibility; the profile or reputation of the service in the community as well as price and perceptions of value for money. ECEC preferences are also highly individualised with parents often seeking specific days or hours of care within a limited geographic range (usually between home and work). This is also sometimes influenced by options available to parents such as the availability and willingness of grandparents to provide informal care, particularly for infants (Harrison & Ungerer, 2005).

High-quality ECEC services often have the longest waiting lists and while parents often complain about a lack of ECEC places, they may be referring to the availability of places at a particular high-quality service, rather than the availability of places across all services in their local area (around home or work). Many parents appear to be reluctant to have children attending ECEC for periods beyond 30 hours per week. While the research literature suggests that high-quality ECEC can be beneficial for children and certainly not harmful for children, there is a drop off in benefit beyond 30 hours per week. While this effect may be partially mitigated by the existence of high-quality ECEC, regardless of quality, families have a natural desire to engage with their children, and often experience high levels of guilt with respect to high levels of ECEC usage.

Outside school hours care

Access to outside school hours care may also be having a significant impact on workforce participation of women with children between five and 13 years of age. Many Australian working parents can find it difficult to access affordable activities that engage and are safe for their children before and after the traditional 9.00 am–3.00 pm school day and during school holidays. The Longitudinal Study of Australian Children (AIFS, 2012) shows that one in five children aged between 10 and 11 is left to their own devices after school and the vast majority of parents (90 per cent) reported that they or another parent regularly cared for their 10–11 year old children after school.

4.4 Increasing participation

On the basis that there are multiple benefits for children and parents, ECA believes that Australia should adopt more ambitious targets for increasing the participation of children over the age of three years in formal, high-quality early childhood education. This has the potential to reduce the proportion of children beginning school with developmental vulnerability and provide families with real choices about when and how they engage in paid work.

The federal government, together with states and territories, has made significant progress towards the universal access to preschool for children in the year before formal schooling. The enrolment targets have been met and jurisdictions are working towards new attendance targets to be reached by the end of 2014. We believe that this could go further and recommend that the federal government consider adopting access targets for ECEC similar to the European Commission's 'Barcelona targets'.

Setting access targets, similar to the Barcelona target for three-year-olds to school age children, would be an appropriate step for the following reasons:

- the targets support improved children's development outcomes and associated long-term productivity growth
- the targets support and workforce participation and associated immediate productivity gains
- the targets are the next step to the current universal access targets
- the NQF has established the conditions for quality ECEC in Australia which is required in order to net improved outcomes for children
- the targets set out a clear objective for policy making and decisions—especially those decisions related to the quality, affordability, availability and flexibility of ECEC
- the targets will drive improvement across all jurisdictions towards a single objective
- the targets will provide a powerful symbol of the benefits that children receive from quality early learning
- the targets will enable the clear measurement of policy outcomes in terms of access. This may be broken down geographically to assist in overcoming community level constraints.

ECA does not propose access targets for the birth to three years age bracket. We suggest that the data shows that Australia is on track in terms of meeting the target for the lower ages. We also believe that the three years to school age cohort should be the focus of measures to improve access to ECEC.

Implementing Barcelona targets in Australia

Australia is currently not meeting either of the Barcelona targets.

- We estimate that under 30 per cent of children from birth- to three-years-old are enrolled in ECEC, with less attending for 30 hours per week.
- When combined with preschool figures, we estimate that under 80 per cent of Australian children aged three to five are enrolled in in ECEC, with less attending for 30 hours per week.
- These figures represent a gap of over 150 000 children birth to five in 2013, between current enrolment and the targets.
- Attendance levels are even lower, as many children would not be attending ECEC for 30 hours per week.

Figure 14: Barcelona targets

The European Commission's Europe 2020 Strategy sets the objective of achieving an employment rate of 75 per cent, to be supported by improving the availability and affordability of child care. In 2002, at the Barcelona summit, Member states adopted the following 'Barcelona targets':

Member states should remove disincentives to female labour force participation and strive, taking into account the demand for child care services and in line with the national patterns of child care provision, to provide child care by 2010 to:

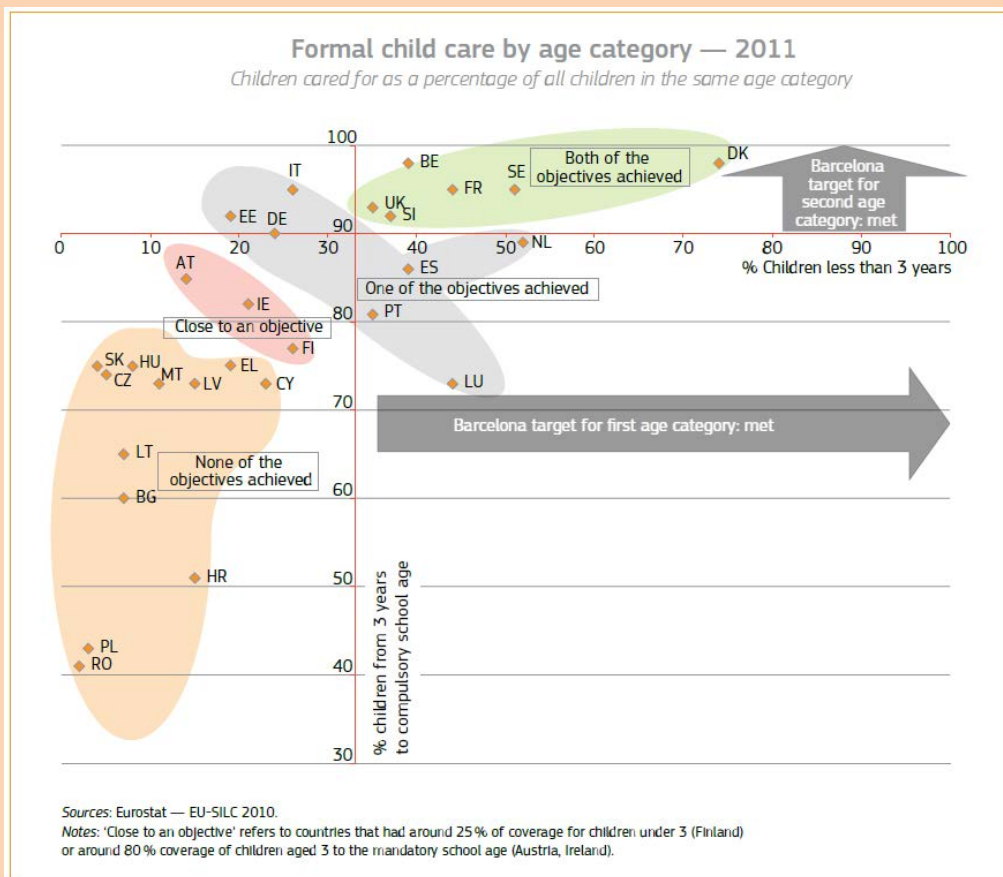
- at least 90 per cent of children between three years and the mandatory school age
- at least 33 per cent of children under three years of age.

In 2004 the European Commission developed a methodology to collect data to measure progress towards these targets on a Europe-wide consistent basis using the EU Survey on income and living conditions (EU-SILC). The data measure is *children cared for (by formal arrangements other than by the family) up to 30 hours a usual week / 30 hours or more a usual week as a proportion of all children in the same age group*. Breakdown by:

- children aged under three (birth to two years)
- children aged between three years and the mandatory school age
- children aged between mandatory school age and 12 years in compulsory education.

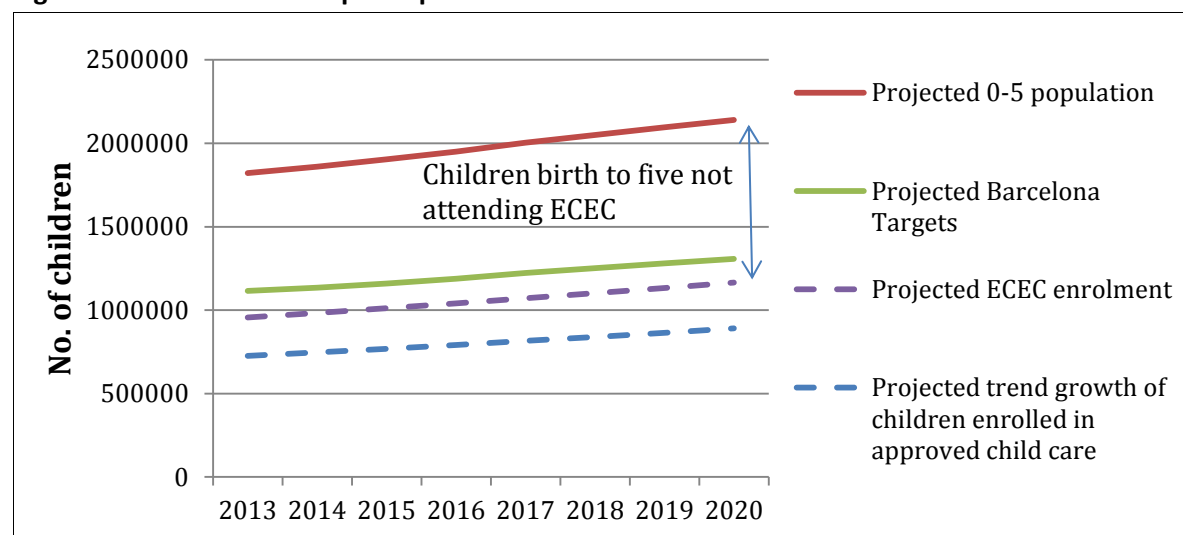
Ten European member states had achieved the Barcelona objective for children under three in 2010.

Eleven member states achieved the older children's objective of 90 per cent.



Trend growth of children in ECEC is running slightly above population growth. However, current trends are not likely to see Australia reach the targets in any reasonable period of time, if policy settings remain the same (see the below table). It is unclear whether trend growth will continue into the future, and there has been a flattening of growth in recent quarters.

Figure 15: Australia's ECEC participation rates



DEEWR (2013), p.22. ABS, 3222.0. Population Projections, Australia, 2013. Table A.9; Productivity Commission, Report on Government Services 2013, Table 3A.14. Projections are based on average growth used for children in approved care between 2004–2012 and average growth used for children in preschool between 2007–2008 and 2011–2012. Children using multiple ECEC services accounted for 5 per cent of children.

The targets would require policy response across all areas with the core aim to improve access to quality ECEC, including:

- national agreement of targets with the states and territories through COAG and involvement of local governments
- a national data system to allow monitoring of progress against the targets including an analysis of baseline access to inform the supporting policies
- reformed child care assistance targeting price/access elasticity of disadvantaged families and other families not accessing ECEC
- targeted capital funding, land release and planning reform to support expansion and new services where they are needed
- supply side funding of services in areas where the market does not support the required number of services, including remodelling the Community Support Program and Budget Based Funded program
- workforce development to attract and retain the workforce required to deliver the ECEC— including an incentive scheme for Early Childhood Teachers in rural, remote and disadvantaged communities

- engaging parents in the early childhood development story to enhance the participation of their children in formal ECEC.

Currently there is no national planning mechanism or agreement in place across the three levels of government (federal, state and local) to address this. The provision of ECEC is entirely dependent on market forces. ECEC is such an important service that families need and expect to be able to access that we believe there should be a national approach to planning and influencing service provision. Ideally, this would include investment in predictive models to identify where demand is likely to fluctuate over a 5–10 year horizon which could be used by the sector to plan for growth or contraction at the local level.

Across the population of families with young children there is wide variation in understanding of the benefits of formal ECEC for children. As ECEC enrolment is and should be voluntary, strong messaging to parents on the importance of ECEC for children would be appropriate to lift participation. Poor participation of families with language, cultural or special needs (i.e. disability or behavioural) would also need to be addressed through more targeted strategies (see later section on flexibility and responsiveness).

Perhaps the most significant barrier to achieving more ambitious participation targets is the issue of affordability. ECA proposes major reform of ECEC financing and the CCB/CCR subsidies (see next section of the submission). Subsidies need to be better targeted and protected from erosion over time.

ECA considers that the costs arising with the above reforms represent a reasonable investment that will be at least partially offset by tax credits associated with increased workforce participation; as well as longer term returns on investment through improved life-long outcomes for children.

Recommendations:

13) Ambitious targets should be agreed at COAG to improve access to ECEC for children, specifically to:

- meet the current universal preschool access targets in the short term**
- set a target for 90 per cent of children aged between three years and school age attending ECEC for at least 30 hours per week for the medium to long term.**

14) Establish a new data collection system to monitor participation against agreed targets.

15) Invest in further evaluation and development of integrated service models for communities affected by social and economic disadvantage.

5 Investment reform

5.1 Financing mechanisms

ECA supports a significant reshaping of government funding for ECEC.

As outlined earlier, the focus of Australia's ECEC system must be improving access to quality early education and care for all children. In addressing affordability of ECEC, reform of government child care assistance should:

- provide more support to children from low income, disadvantaged families
- provide a base level of universal support for all families
- address structural problems in the current system (outlined in 5.3).

ECA supported the model proposed in the *Henry Review* in principle as it met these goals. However, the Henry model required further development, and we were concerned about the low base level of support offered for all families.

We believe the model that has been developed by Professor Deborah Brennan builds on the intent of the *Henry Review* recommendations and provides a solid basis for further development.

This report outlines several options for a new funding model which we trust will assist the Commission in considering a reformed funding system for ECEC in Australia.

ECA, in collaboration with Goodstart Early Learning, has commissioned work led by Professor Deborah Brennan at the Social Policy Research Centre, UNSW to:

- 1) review the current model of financing ECEC and assess its strengths and weaknesses
- 2) develop three to five high level options for Commonwealth government financing of ECEC ... to reflect the principles agreed by ECA, Goodstart and the Social Policy Research Centre (SPRC)
- 3) Develop one option (agreed by ECA, Goodstart and SPRC) into a detailed model for Commonwealth government financing of ECEC in Australia. Model to be sufficiently detailed to enable analysis of financial and economic impact.

Rather than duplicate that work here we refer the Commission to Professor Brennan's report. Professor Brennan has proposed a model for streamlining and targeting ECEC subsidy. The report does not address the cost of the model, or modelling of its economic impacts, because that work is beyond the capacity of the project. We would encourage the Commission to undertake modelling that would help inform consideration of the report's recommendations. It is also worth noting that a somewhat similar model has been costed by the Parliamentary Budget Office in the Treasury which offers a guide to the additional government investment required. The Australian Greens party

election policy was costed at \$2.29 billion over the 2013–2014 Budget forward estimates period and would decrease both the underlying cash and fiscal balances by an additional \$50 million in 2017–2018.

ECA believes that increased investment in ECEC is strongly justified by the social and economic benefits that would be returned over the long term. We draw attention to the report by UNICEF (2008) that recommended that public spending on ECEC should be one per cent of GDP. At the time of the report Australia did not meet this recommendation and currently only 0.3 per cent of our GDP is spent in this area. Out of the 10 benchmark standards relating to ECEC, Australia met only two, ranking in the bottom three of OECD countries (UNICEF, 2008).

Recommendations

- 16) That the Productivity Commission look carefully at the proposals for investment reform outlined in Professor Brennan’s report on early childhood education and care financing, including the proposed model for a single (early learning) subsidy to replace CCB and CCR that is progressive in targeting more support to low and middle income families while continuing to provide some support to all families using quality assured services.**

Structural issues with child care subsidies

The current government child care assistance is complex due to the existence of the following structural features:

- differing work training study tests for the CCB and CCR
- the existence of a taper rate of the CCB (i.e. parents on different incomes are on different rates)
- multiple CCB income thresholds
- the indexation of the CCB rate
- the indexation of the CCB thresholds
- the CCR percentage
- the interaction between the CCB amount and the CCR
- the cap on the CCR
- the indexation of the CCR cap.

In reforming the ECEC system for the future it may be possible to remove some of these complexities, but not others.

Price inflation

Measures to increase child care affordability introduced by successive governments have been successful at reducing the out-of-pocket costs for families. However, child care prices are rising over

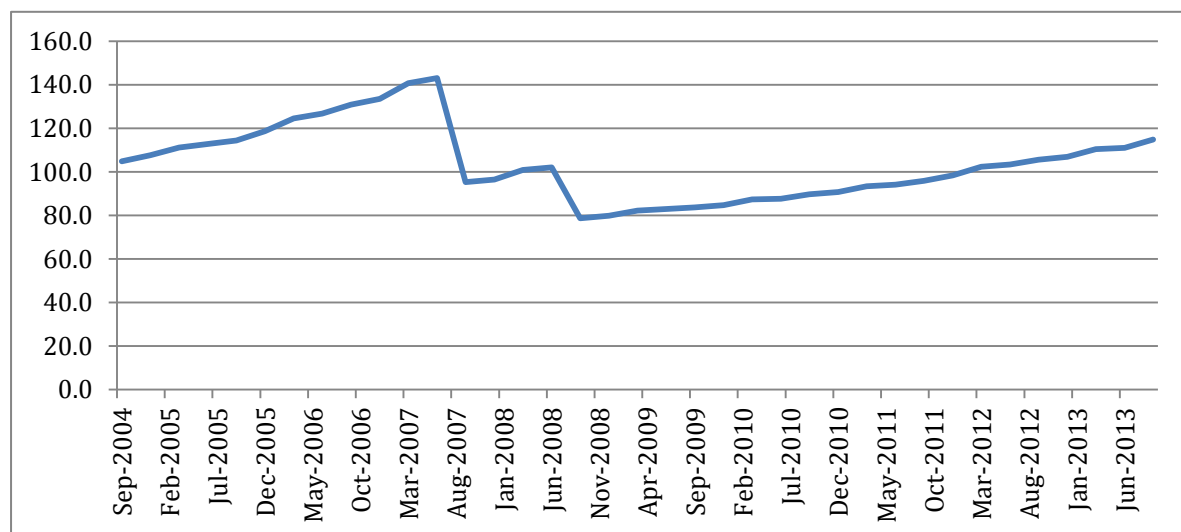
time and this has eroded the impact of affordability measures. As has been noted there are a range of structural issues preventing growth in subsidies to meet these increases. However, child care fees are still less expensive than they were directly prior to these measures being introduced.

As demonstrated in the figure below, after the increase to the CCR on 1 July, 2008, out-of-pocket expenses fell dramatically. However, the families using ECEC now are not likely to have experienced that reduction and their experience is only increasing costs.

It should be noted that although out-of-pocket expenses fell dramatically at the time the CCR was increased, some ECEC providers increased their fees at the same time. This spike in child care fees shown in both the government's release of CCMS fee data in the *Child care in Australia* report (DEEWR, 2013, p.7) and in the ABS gross child care CPI figures. In the September 2008 quarter, net child care CPI increased by 23.4 points or 22.9 per cent since the previous quarter, gross child care CPI increased by 3.4 points or 4.2 per cent which is above trend. A growth of 3.4 points in gross child care fees was also experienced in the September 2007 quarter. The potential of price gouging at the time of funding reform should be taken into account by the Commission.

The level of child care subsidies have an effect on price inflation, particularly those that are calculated as a proportion of the fee charged (mitigating the impact of price rises on families thus reducing the risk of reduced utilisation). However, the main drivers of price inflation are wage costs, utilities, and rent which continue to increase beyond general consumer prices. A positive feature of the Child Care Rebate is that it has percentage of out of pocket costs which has substantially helped to mitigate these cost increases, while other payments such as CCB have diminished in value.

Figure 16: Net child care CPI



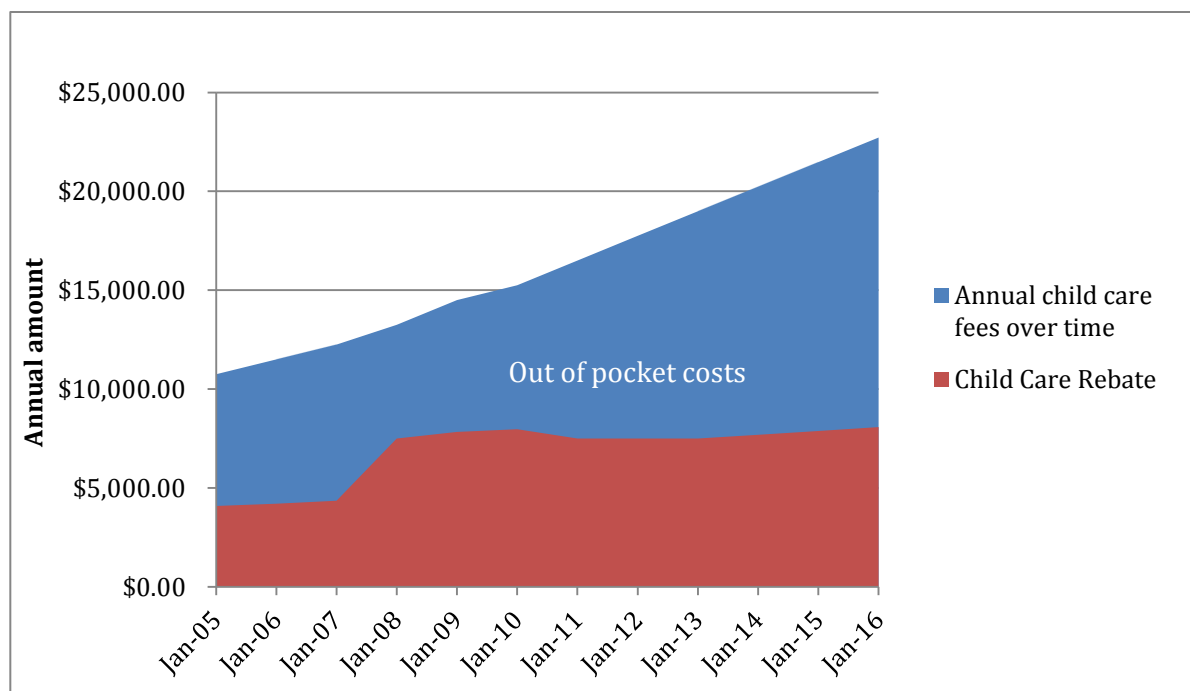
Indexation

The CCR cap and the CCB rate are indexed at CPI to adjust for increases in child care prices over time. However, long day care fees have been increasing by 7 per cent annually on average over the past decade (DEEWR, 2013, p.7; Productivity Commission, 2013, p.20), well above the CPI. This has led to a significant erosion of the value of government child care assistance over time.

Families who meet the CCR cap are affected by this as the Rebate only covers 50 per cent of out-of-pocket costs up to the cap of \$7500 per child per year.

The cap was increased to \$7500 per year at the same time that they increased the Rebate from 30 to 50 per cent of out-of-pocket costs. Indexation has since been frozen as a savings measure in the 2010–2011 budget. As shown in the graph below, despite increases to CCR, out-of-pocket costs are increasing significantly above the subsidy. Indexation freezes on the CCR have exacerbated these cost increases over time, and a growing number of families are being affected.

Figure 17: Full-time costs and subsidy for a family earning over the CCB income threshold



The CCB is also affected by the rising costs of ECEC. Unlike the CCR, the rate of the CCB has a determined value which is linked to income not ECEC fees. It is increased with the CPI, leaving the payment structurally exposed to increases in ECEC fees. As a result the CCB has declined in value substantially over the past few years and this will continue unless the structural problems are addressed.

The decline in the value of the CCB affects families earning below \$150 000 per annum and particularly those on low incomes who do not meet the Work Training Study test for the CCR and therefore can only claim CCB.

It is not surprising that ECEC fee increases continue to exceed the CPI, as around 70–80 per cent of operational costs are wage related. Increasingly in programs funding community or human services a different model is used to calculate appropriate indexation. For example, both WA and the ACT governments have adopted the following formula for community sector funding:

$$\text{Community Sector Funding Rate} = (\text{Wage Price Index} \times 0.80) + (\text{Consumer Price Index} \times 0.20)^3$$

While ECA supports higher indexation, we would prefer to remove these structural problems altogether, by streamlining the payment mechanisms and adopting a tapered rate which is determined by income testing.

The Child Care Rebate cap

The current structural feature of the CCR cap should be revised in any new system. The CCR cap is a blunt device in capping expenditure on subsidies with unintended effects on parents' workforce participation and children's access to ECEC, a means test would be a much more equitable and progressive means of capping expenditure.

One of the unintended affects is the cap's impact on middle income families. ECA estimates that by far the greatest numbers of families meeting the CCR cap are middle income earners (those earning between \$120 000 and \$150 000 per year) not those on higher incomes. Anecdotal feedback from ECA member services suggests that these families have dual incomes, and rely on the second income earner to return to work in order to meet living expenses. They require higher usage of ECEC, which is in excess of three days per week.

According to the Report on Government Services 2013 (Productivity Commission, 2013, Table 3A.24) median weekly long day care fees were \$341 in 2012. Many Australian families using a long day care service, with median fees for just three days per week, will reach the CCR cap of \$7500 per child per year. Families in this position have to meet the full cost of ECEC for the remainder of the financial year.

Due to the 15 per cent withholding applied to CCR, the effective cap is actually much less than \$7500 per child per year, so the cap is reached much sooner. Families either have to pay the full fees

³ ACT Government, 2013–2014 Budget Paper No. 3, p.135.

upfront for the remainder of the financial year or withdraw their child from ECEC altogether and then re-enrol at the start of the financial year.

The cap also has a significant impact on ECEC services. We know from early childhood services that families who hit the CCR cap well before the end of the financial year often struggle to pay ECEC fees which are effectively doubled for the rest of the year.

This may result in significant debts owed to services when the cap is reached unexpectedly. These debts can accumulate quickly and add additional costs to services to reconcile, in the most extreme cases through outsourcing of debt collection.

ECA supports a new model of child care assistance which removes an expenditure cap and allows parents to claim a subsidy throughout the whole year.

Direct payment of child care assistance to services

Families that currently receive CCR on a quarterly basis often don't recognise how this reduces the fees they are paying for ECEC, directing payments to services will demonstrate what a significant difference the rebate makes. Families currently are only able to change the frequency of CCR payments (i.e. fortnightly/weekly, quarterly or annually) or the method of payment (direct to service or direct to family) for the next financial year. This has inhibited the transition of families to more frequent, and preferred, payment of child care assistance.

The payment of government child care assistance directly to services, in the same way that CCB is currently paid, would be a relatively easy change that would not incur additional costs to service providers. This would also strengthen the financial position of services by guaranteeing income for services provided and would also reduce administration over time.

The Australian Government would see an underlying cash impact of bringing forward child care assistance outlays over the forward estimates. This is occurring anyway, at a gradual pace, as parents take up the option of receiving the rebate fortnightly or weekly paid directly to their service.

Targeting of the payment system

ECA supports better targeting of the ECEC system in principle. We support more support for disadvantaged children and a reduction of support for families on high incomes.

However, we do not believe that retargeting subsidies for high income earners will generate enough savings to offset the additional support required for lower and middle income families. Ultimately, new investment will be required to deliver better access to ECEC for children from low income families or to extend universal provision of ECEC.

We do not support the reduction in subsidies for middle income earners (earning under \$200 000 per annum) or the complete removal of subsidies for high income families (earning over \$200 000 per annum). We believe that a base rate should exist for all families regardless of income.

Special Child Care Benefit

The Special Child Care Benefit (SCCB) is in need of a thorough review to make sure it is meeting its original objectives to support children at risk. The process of application for SCCB is onerous and the test for eligibility problematic, for example proving that a child is “at risk of serious abuse or neglect” can be difficult when working therapeutically with families. ECA is also concerned with the level of regulatory burden required of both families and services, because the benefit needs to be re-applied for every 13 weeks, even when children have prolonged diagnosed medical conditions.

Access to ECEC services for vulnerable children and families would be significantly improved under the reforms to subsidies that we are proposing. This may allow for SCCB funds to be used differently or for administrative requirements to be simplified.

Furthermore, there are additional ways that the ECEC system could better respond to the needs of vulnerable children, including:

- build the capacity of mainstream ECEC services to engage and support vulnerable families appropriately (working with family support and child protection systems) and
- expand the number of integrated services that provide intensive, holistic support encompassing early childhood intervention, family counselling, parenting education, financial counselling and other relevant supports.

These could be options for redirecting SCCB in the context of broader reform that would improve access to ECEC for vulnerable children and families.

Recommendations:

17) Significant reform is needed to the way in which the federal government invests in early childhood education and care in order to:

- a. **simplify the system for parents and reduce up-front out-of-pocket expenses**
- b. **reduce or discourage price inflation and improve transparency**
- c. **remove structural problems in the current system where possible**
- d. **adopt an appropriate model for indexation that ensures investment keeps pace with real costs**

18) Review the Special Child Care Benefit to make sure it is meeting its original objectives to support children at risk.

5.2 Capacity building investment

Alongside reform to the child care subsidies there is a need for continued investment in building the capacity of the ECEC sector.

Educator remuneration

ECA agrees with other peak and representative bodies that the next step in providing a stable and sustainable ECEC sector is the introduction of professional wages so the sector can attract and retain qualified and professional educators, which is the backbone of quality education and care.

There is a significant disparity between the wages of preschool and kindergarten teachers and primary school teachers with the wages and conditions of early childhood teachers in ECEC services. This makes it difficult to attract and retain teachers in the sector.

The relationship between educators and children is a critical component of quality in service delivery. Being an educator in early childhood services should be a valued and respected role—these are the educators trusted with Australia’s next generation of citizens. We should be aiming to attract and retain talented people to these roles.

As one service commented, ‘Government must play a continuing role in supporting services to afford increasing levels of highly qualified staff. Special consideration should be given to recruitment and retention of staff in remote areas.’

Although a stable, skilled and professional labour force is widely acknowledged as vital to ensuring high-quality ECEC, educators continue to be poorly paid for the significant work they do in educating and caring for our children. While some employers are able to offer above award wages and conditions, as outlined by United Voice, some qualified educators earn as little as \$19.00 per hour, suffer low status in the broader community, lack fulfilling career paths and have inadequate training opportunities (United Voice, 2013). Addressing educators’ low wages would augment the quality reform agenda and is essential to ensuring the future viability of the sector which supports Australian families and children.

Operational support for the BBF program

ECA believes that the Budget Based Funding program has lost its focus and become too diverse. We support the proposal from the Secretariat of National Aboriginal and Islander Child Care (SNAICC) for a fully funded program supporting Aboriginal and Torres Strait Islander organisations to deliver services to Aboriginal and Torres Strait Islander communities. While we recognise that the majority of Aboriginal and Islander children attend mainstream services, it is important to offer choice and some families will only access a service operated by an Aboriginal organisation—due to the legacy of the stolen generations and a lack of trust in mainstream providers. Funding Aboriginal organisations

also serves to boost the economic capacity of Aboriginal communities and provide employment opportunities for Aboriginal people.

ECA also supports the establishment of a dedicated program for services operating in rural and remote areas, including mobile services and services (both ECEC and OSH) that require supply-side operational funding to maintain viability due to very small populations. This program should have a clear charter to ensure access to services for families where the market will not sustain a service under mainstream financing mechanisms (current through CCB/CCR).

Tax deductibility

ECA does not support the abolition of child care subsidies in favour of a model of tax deductibility. Child care subsidies provide greater levels of assistance to families in most circumstances, when compared to tax deductibility and should continue to do so.

Adopting tax deductibility as an alternative to subsidies would negatively affect low and middle income families the most, with only families earning high incomes and using a significant amount of child care, or using expensive child care, benefiting (see the table below).

Families with work-based child care can already effectively receive tax deductible child care, through the Fringe Benefit Tax (FBT) exemption. These families have the option of reducing their gross salary and therefore reducing their tax, or alternatively they can choose to access government child care assistance; not both. A number of ECEC providers currently run legitimate and successful models based around this FBT exemption, with a mixture of families using the service using both types of funding.

We think it is important for the Commission to consider the equity issues involved in having the current two tiered system of tax deductibility, and a system of child care subsidies which is capped. The current circumstances allow some families to claim more from the government as a result of the FBT exemption than the maximum amount many families can receive under child care assistance through the CCR.

A key argument against the provision of tax deductible child care is the relationship between tax deductibility and child care use. As noted above, how subsidies are paid may be relevant to workforce participation and participation elasticity. Tax deductions may become divorced from the net cost of child care, potentially having the unintended effect of reducing use.

It should also be noted that government expenditure that results from tax deductibility of ECEC under the current system is not known. The Commission may wish to consider this amount within the existing funding parameters of this review.

Figure 18: One child using long day care by family income (2013–2014)

Weekly fee \$366		Current CCB/CCR policy			Claiming child care as a tax deduction		
Family income	Yearly fee	CCB + CCR	Out-of-pocket cost	% of fee from government assistance	Tax saving	% of fee from tax savings	Saving/loss (p.a.) compared to current CCB/CCR policy
\$35 000	\$18 300	\$14 138	\$4163	77.25%	\$3192	17.44%	Loss (\$10 946)
\$55 000	\$18 300	\$13 508	\$4792	73.81%	\$6182	33.78%	Loss (\$7326)
\$75 000	\$18 300	\$12 545	\$5755	68.55%	\$6222	34.00%	Loss (\$6323)
\$95 000	\$18 300	\$11 585	\$6715	63.30%	\$6897	37.69%	Loss (\$4688)
\$115 000	\$18 300	\$10 447	\$7854	57.08%	\$7046	38.50%	Loss (\$3401)
\$135 000	\$18 300	\$8524	\$9777	46.58%	\$7046	38.50%	Loss (\$1478)
\$155 000	\$18 300	\$7500	\$10 800	40.98%	\$7046	38.50%	Loss (\$455)
\$175,000	\$18 300	\$7500	\$10 800	40.98%	\$7046	38.50%	Loss (\$455)
\$195,000	\$18 300	\$7500	\$10 800	40.98%	\$8246	45.06%	Saving (\$746)
\$235,000	\$18 300	\$7500	\$10 800	40.98%	\$8510	46.50%	Saving (\$1010)

5.3 Public good or market forces

Australia's current early childhood system is currently market based. Mitchell (2012) notes the market system holds several assumptions:

- that children are the responsibility of parents
- parents are consumers of education
- markets encourage consumer needs to be met
- decision making is left to the parent consumers
- competition between providers is supposed to contribute to efficiency, cost effectiveness and higher quality
- parents will not use services that are not meeting their needs, are too costly and are of poor quality.

These are contestable assumptions, many early childhood experts do not believe that competition results in higher quality ECEC because it is difficult for parents to judge the quality of the service their children receive or compare services. Instead experts argue that regulation and

professionalization of the sector is needed. In addition, parents do not always have the choice to withdraw from poor quality services, particularly when there is an undersupply.

The market based approach also has limitations when the supply of services relies on private investment decision-making and financial viability. There are significant areas of market failure in Australia where supply is not matching demand or services are simply not financially viable and therefore not available to families. Typically services operating in rural and remote areas need additional public investment and sit outside the market.

In contrast with Australia, other international model systems, such as those in place in Scandinavia are characterised by strong public provision of universal early childhood education from a young age. In a universal public run early childhood education system, like those in Scandinavia, services are paid to deliver quality early childhood education, not to deliver profits or pursue any other objectives. By removing the affordability and access issues, this enables parents to focus on the quality of these services and the learning outcomes for the child, and as a second outcome enabling workforce participation.

While there are some attractions in this model it would be very costly to implement in Australia. This would require federal, state or local governments to 'buy out' all private providers (estimated to be over 60 per cent of long day care providers) or split the sector into public and private similar to the school sector. Either of these approaches would be very challenging and arguably not the best use of the funds that would be required.

Provider mix

The private sector has invested substantial amounts of equity into ECEC in Australia and continues to be the primary source of capital for new developments and growth. Many private providers operate exemplar services, with a strong commitment to quality and a close relationship with the families they serve. The vast majority of operators are small family owned businesses with one to three centres and this can work very well, particularly when owners have expertise in ECEC. The number of large corporate providers with a portfolio of centres is growing but the collapse of ABC Learning, by far the largest provider at the time, was a significant event in the history of ECEC in Australia.

Operating alongside the private sector, the not-for-profit sector has been a significant force in the development of ECEC as a profession and has campaigned tirelessly for quality standards and regulation, qualifications and professional recognition as well as public investment to improve access for all children but particularly children from disadvantaged backgrounds (ECA, 2013). Many not-for-profits operate services with a strong social purpose in areas where private operators would struggle to be viable but they may also operate highly profitable services that cross-subsidise their work in areas of disadvantage.

Local government also has a significant role in providing ECEC services often bringing a depth of knowledge about the local community needs and a long-term perspective on meeting those needs.

It is important to maintain a strong regime of quality regulation in order to ensure that there is consistency in the delivery of ECEC across provider types and service models. As long as we do that, ECA believes that it is appropriate to focus on improving the current mix of providers, addressing market deficiencies where these arise. Furthermore, there is value in actively maintaining diversity in the pool of provider/operators to avoid a concentration in the market.

5.4 International models

There are a range of international models of ECEC which ECA believes think have merit and should be considered in the context of this Inquiry.

Mixed government/non-government revenue—Learnings from Norway

The Norwegian funding model is a useful comparator for ECEC in Australia. Norway is ranked number one in the world for productivity, measured by GDP per total hours worked, according to OECD (2006). Norway also invests 1.7 per cent of GDP for children from birth to age six to support universal access to high-quality ECEC. The Kindergarten Act (Act No. 64 of June, 2005) provides:

- children who reach the age of one no later than by the end of August in the year a kindergarten place has been sought, are, upon application, entitled to a place in a kindergarten from August in accordance with this act with regulations
- the municipality shall disburse grants to approved non-public kindergartens.

Funding for kindergartens come from a mixture of state funding (50 per cent), municipality funding (30 per cent) and parents fees (20 per cent). Parents' fees vary depending on the municipality, parents' income and often privately owned barnehager are more expensive (CECDE, 2004). The municipalities must approve kindergartens and provide guidance to them. Approximately 50 per cent of the kindergartens are privately owned. There are national regulations concerning parents' fees, and the maximum fee at the time of writing is NOK 2330 per month. The parents' part of funding the total running costs varies between approximately 22 and 30 per cent.⁴

Figure 19: Starting Strong II—Norwegian Barnehager (kindergartens)

Municipalities have the duty to provide funding to their own services and to private providers. They also provide subsidies for additional places for families where more than one child is in ECEC, even when the children participate in different ECEC services within the municipality. In addition to family allowances and lone

⁴ www.regjeringen.no/en/dep/kd/Selected-topics/kindergarten/early-childhood-education-and-care-policy.html?id=491283

parent (22 per cent of families) allowances, all parents are allowed tax deductions to cover care and kindergarten costs.

The county governor administers the state grants to familiebarnehager (family day care), barnehager (kindergarten), and apen barnehager (open kindergartens or drop-in centres for parent and child, led by a trained preschool pedagogue). The county informs and supports the different municipalities in the region on ECEC questions and policy. This involves planning and building ECEC places according to local need, approving of new facilities, supervising and inspecting new services. The municipalities can choose either to own and administer the services themselves or to contract private owners to operate ECEC (OECD, 2006).

In line with the strong progress towards universal access, the Norwegian Government has committed itself to increased funding of barnehager in order to avoid excluding certain categories of children because of costs to parents. Parliament granted substantial additional investments to ECEC (from NOK 4.5 billion in 2000 to NOK 14.8 billion in 2006). The government aims that by 2006, state and municipality funding will cover at least 80 per cent of ECEC services costs, leaving a maximum 20 per cent to parents (OECD, 2006).

In addition, the Norwegian Parliament has passed a law requiring equal treatment of private and non-private ECEC where public financing is concerned. Until the passing of this law, municipalities were not legally obliged to fund the private sector services and hence, fees to parents using those services were higher. A maximum fee for a full-time place in all settings, whatever the age of the child, was set by the Parliament in May 2004. In the same legislation, siblings in a family are entitled to reduced fees (30 per cent reduction for the second child, 50 per cent reduction for third and subsequent children). Municipalities also must have subsidy schemes for low-income parents (OECD, 2006).

The Norwegian model demonstrates that a mix of market forces and public investment can work and be inclusive of public and private providers. It demonstrates the success of universal access to the economy while also maintaining parent contributions to the overall cost of the system.

It also demonstrates several points made in this submission:

- improved access to ECEC requires significant additional government investment
- to improve productivity, access to ECEC should ideally start early, not just in the year before school commencement
- ECEC must be affordable, but parents should pay some of the costs, varying depending on their income
- local governments must be part of the solution in addressing the ECEC local needs of communities.

30 hours free child care—the proposed Scottish model

Recently a number of models of child care funding have been proposed in Britain which would deliver free child care for a certain number of hours per week, per child. The Scottish Government

(2013) proposes the provision of 30 hours free child care per week for 38 weeks of the year.⁵ The plan includes capital investment both in terms of expansion of the current estate and new build, for stand-alone (nursery or day care) provision. Most Australian families would benefit if Australia adopted a similar model and the Scottish ECEC system has some similarities to our own, namely:

- similar quality standards in the Early Years Foundation Stage (including qualifications and staff to child ratios)
- significant government support to families through benefits and tax credits
- large private nursery (child care) sector.

Figure 20: Comparison of the proposed Scottish model and the Australian model

Fee per day \$80		Weekly cost*		Yearly cost**	
Scottish model	30 hours free	30 hours per week	50 hours per week	30 hours per week	50 hours per week
		\$0.00	\$160.00	\$4800.00	\$10 880.00
Australian system (family earning over \$150 thousand pa)	CCR	\$120.00	\$200.00	\$6000.00	\$12 500.00
Australian system (family earning under \$40 thousand pa)	CCR+CCB (Max rate)	\$60.15	\$100.25	\$3007.50	\$5012.50
Australian system (Jobseeker)	JETCCFA+CCR	\$15.00	\$25.00	\$750.00	\$1250.00

* Weekly costs for 38 weeks of the year ** Yearly costs for 50 weeks of the year

This approach would give all children access to quality early childhood education regardless of family income. However, there is a risk that once per hour subsidy rate is established, operational costs for the service may exceed the rate over time, reducing the number of services offering the free hours or impacting on fees charged for hours above the 30 subsidised hours.

A capped price model—Québec's \$7 a day child care model

The Québec Government provides child care to parents at a cost of \$7 per child, per day.

The government provides capital funding to centres de la petite enfance (not-for-profit early childhood agencies) and 'subsidizes over 80 per cent of their operating expenses including rent,

⁵ Scottish Government (2013). *Scotland's future: Your guide to an independent Scotland*. Edinburgh: Scottish Government, p. 129.

utilities, child care and educational expenses'.⁶ Child care fees paid by parents account for less than 20 per cent of a CPE or school-age program's operating budget.⁷

A study by Fortin et al, shows that 'on net, for every dollar spent on ECEC the provincial government harvests \$1.05, and the federal government gets 44 cents for nothing'.⁸

By 2008, Quebec's ECEC program⁹:

- 1) had increased women's employment by 70 000 (+3.8 per cent)
- 2) had increased provincial GDP by \$5.2 billion (+1.7 per cent)
- 3) was entirely self-financing within the provincial budget
- 4) was procuring \$717 million in additional revenue to the federal government.

The Quebec model demonstrates the immediate economic benefits accruing from improved access to affordable ECEC from birth to four years and the economic benefits that accrue when there is a universal system for families regardless of income.

The challenges in this approach are that subsidies create excess demand which is not easily met in a system of non-government service provision and children from disadvantaged families may still need to be targeted to improve access in that cohort.

Home-based care—New Zealand

In-home care services, including nannies, can offer legitimate ECEC that meet the needs of a wide range of families.

New Zealand has developed a model of in-home care in which each educator must belong to a home-based service and is supported by a coordinator who is a registered ECE teacher. There is no qualification requirement of home-based educators but there is a limit of four children (under six years of age)¹⁰ per educator. That ratio is equivalent to Australian regulations governing the delivery of family day care but in Australia educators must have a Certificate III qualification.

Australia has an in-home care model and ECA supports the uncapping of Australian in-home care as long as these services meet the NQF requirements and funding is not redirected from existing services. ECA would not support the lowering of standards should in-home care services become

⁶ www.acpsge.ca/PDF/research/QUE_CHILDCARE.pdf

⁷ www.acpsge.ca/PDF/research/QUE_CHILDCARE.pdf

⁸ www.oise.utoronto.ca/atkinson/UserFiles/File/Events/2011-06-22%20-%20Economic%20Forum/EarlyLearningEconomicForum_Fortin.pdf

⁹ www.oise.utoronto.ca/atkinson/UserFiles/File/Events/2011-06-22%20-%20Economic%20Forum/EarlyLearningEconomicForum_Fortin.pdf

¹⁰ Education (Early Childhood Services) Regulations 2008, Schedule 2.

uncapped. It currently is not feasible to monitor the quality of care provided in children's own homes under private arrangements. As nannies are considered to be a personal arrangement within the definition of an education and care service they are not included within the current scope of the NQF. They are also not eligible to become approved services under Family Assistance Law and thus be eligible to receive subsidies unless they have been allocated under the in-home care program.

The Australian Nannies Association has indicated that it supports professional recognition for in-home carers and for in-home care to be part of the regulated child care system. ECA welcomes that approach and encourages them to work with their stakeholders, community, and state and territory governments to work through that process. ECA supports a model where in-home care service would be required to meet the NQF to the same standard of family day care, including:

- staff to child ratios of 1:7 with no more than four children under school age
- staff in the coordination unit must hold a diploma qualification
- educators must hold a Certificate III
- assessment and rating under the NQS
- all other relevant regulations that apply to family day care services.

Regulations should also ensure that other subsidies toward the cost of care and education for children are not used to pay for household support such as shopping, cleaning or cooking (beyond duties required to care for children). This would be an inappropriate use of public funds.

The greatest barrier to extending child care assistance for approved services to nannies is that it is estimated that this would cost \$1.97 billion over four years. It is also a very resource intensive service model. Wages are much higher and the number of children per educators are lower so it is significantly less efficient than centre-based services and the family day care model. In the figure below we have compared the subsidy rates provided to home based services and in-home care.

Figure 21: Comparison between New Zealand and Australian child care subsidy

\$ per funded child hour (including GST)	New Zealand rates in NZD from 1 July 2013			Australian subsidies per child as at 1 July 2013 for a \$25 AUD per hour in-home care service* (for full time care 50 weeks of the year)		
	Under 2	2 and over	20 Hours ECE	1 child in care	2 children in care	3 children in care
Quality	\$8.26	\$4.42	\$9.22	N/A	N/A	N/A
Standard	\$7.24	\$3.92	\$8.71	\$6.99 (CCB max rate + CCR) \$3 (CCR)	\$6.99 (CCB max rate) \$3 (CCR)	\$6.16 (CCB max rate) \$3 (CCR)

* CCR cap taken into account over the year.

‘Cash for care’ in the Nordic countries

Cash for care subsidies provided in some of the Nordic countries operate alongside a strong universal ECEC system. This allows parents with the opportunity to purchase child care services outside of the government funded system or stay home with children (Ellingsæter, 2012).

If adopted in Australia such a scheme would give parents more choice to stay at home with children and/or to compensate grandparents who provide a significant amount of informal care (see for example an analysis of LSAC data by Harrison & Ungerer, 2005). This includes access to informal care types.

ECA would be concerned that this may lead to disengagement of children from regulated quality ECEC into informal care types, which would then undermine outcomes children (Ellingsæter, 2012). Low income families in particular may use the benefit as an income supplement, despite their children having the most to gain from participation in high-quality ECEC.

We note that families are currently supported through the registered care rate of the CCB if they wish to access informal care in Australia. However, ECA is of the strong view that services which are not regulated should not be the priority of funding; universal access to high-quality ECEC must be the focus. This may include the addition of new forms of regulated ECEC, provided in the home, if the conditions of quality are established. Further, there is a concern that this type of scheme may have negative effects on women’s employment participation rates. Research shows that cash for care had a negative effect on mother’s employment in Norway (Baklien et al, 2004).

Summary analysis

ECA believes that the international models of early childhood education that are achieving the dual purpose of providing quality early learning for young children and supporting workforce participation for women are those that are both funded and regulated by government to provide affordable options for families while ensuring children benefit from their participation.

Recommendations:

- 19) Early childhood education and care warrants continued government investment to support quality in service delivery and affordability for families.**
- 20) All forms of early childhood education and care that are eligible for government support or subsidy should be incorporated into the National Quality Framework (including in-home care, preschool, kindergarten, mobile services and multipurpose/integrated services) to ensure the investment contributes to positive outcomes for children.**

5.5 Relative priorities

ECA is very supportive of an effective scheme for supporting parents to spend time with infants and children newly adopted into a family which contributes to important bonding and attachment. However the significant investment in the proposed full-wage replacement paid parental leave scheme (estimated \$22 billion) is likely to create difficulties downstream if it is not matched by a significant increase in investment into ECEC. The end of paid parental leave is likely to impact on the age at which children transition into ECEC; parents who have received significant financial support in the first 6–12 months of having a child may have a heightened expectation regarding financial support for ECEC. Indeed, galaxy polling suggests that many families believe that funding for affordable ECEC should be higher priority (see Figure 21), probably because it impacts on family finances over a much longer time frame.

Figure 22: Galaxy poll—August 2013

Galaxy research commissioned by ECA shows that nearly 70 per cent of individuals surveyed think affordable early education is more important than Paid Parental Leave (PPL) to young families. Just 19 per cent of surveyed participants see PPL as a better policy for families with young children.

The poll was conducted in response to the public debate regarding PPL during the 2013 Federal Election campaign.

The research shows that across all demographics regardless of age, location or income, respondents were overwhelmingly supportive of affordable early education as having the biggest difference to families with young children. Men were more supportive of PPL (22 per cent) than women (16 per cent) while older respondents (50+) were more likely to support affordable ECEC over PPL. Surprisingly, participants from households with a higher income were more supportive of affordable early education services than those with lower household incomes.

ECA also suggests that subsidies for high-quality early childhood education are more important than family payments to middle income families that are not tied directly to outcomes for children. We recognise that family payments are an essential income support for low income families but these payments could be more sharply tapered for middle and high income families who do not rely on the additional income (see Brennan 2014). This could be part of an improved alignment between Family Tax Benefit payments and child care assistance.

Recommendations:

- 21) Review policy interaction and relative priorities for investment across paid parental leave, family payments and ECEC.**

6 Improving access, flexibility and inclusion

6.1 Constraints on mainstream supply

Increased workforce participation and the availability of child care subsidies has led to a surge in demand for ECEC which has outstripped supply in some areas. At the national level the ECEC system has grown strongly over the past decade with a 29.8 per cent growth in the number of children accessing ECEC since 2007 and a 40.3 per cent increase in the number of ECEC services (DEEWR, 2013). Long day care (LDC) has had perhaps the largest share of growth to-date but outside school hours care (OSHC) and Family Day Care (FDC) is now experiencing a surge in demand (DEEWR, 2013).

Nationally, utilisation rates are well below the total number of approved places meaning that there is technically an oversupply in the system. However, as regularly reported in the media, there are 'hotspots' where there is a chronic undersupply of certain service types. For example, there is often a shortage of long day care places in inner city areas, in many suburban areas there are shortages of outside school hours care and rural/remote areas are often without either. When there is a severe undersupply parents cannot access the services they need and may be forced to delay returning to work or use a patchwork of informal care arrangements. At the same time, a common complaint from providers is that new services are often established in areas where existing services are not full. While in areas where there is an undersupply there may be a range of barriers to a new service being established.

As the ECEC system is fundamentally market based, the supply of services is dependent on current or potential operators making decisions about where to establish or expand services. They may base these decisions on a range of factors:

- assessment of actual and predicted demand
- competition and gaps in the market
- availability of suitable land, premises or facilities
- access to capital for investment
- connection to and understanding of the local community
- complexity of development or planning approval processes.

Profit margins in ECEC are very tight and two very significant factors are utilisation rates and the cost of premises. If a provider is unable or unlikely to secure premises at reasonable cost and/or there is any doubt that utilisation will be high these will be strong deterrents to potential investment. The lack of capital funds available for new developments is a particularly significant issue for not-for-profit organisations who can face challenges in raising debt due to the personal liability of directors. It is also an issue for small private operators who have limited personal funds.

Figure 23: Constraints on new ECEC facilities

Jurisdiction	Constraints	Effect on Supply
Local government	<ul style="list-style-type: none"> • Anti-clustering rules • Caps on service sizes • Building impacts (shade, privacy) • Landscaping • Streetscape appeal • Noise • Traffic • Parking 	<ul style="list-style-type: none"> • Can deter start-ups • Restrictions can make proposed centre economically unsustainable • Restricts services' economies of scale, resulting in higher prices to parents
State and local government	<ul style="list-style-type: none"> • Community opposition and development consent • Charges and taxes on child care developments and child care services • Inadequate planning /zoning for ECEC facilities • Land release issues including timing (and frequency) and location 	<ul style="list-style-type: none"> • Potentially delays approval process • May result in costly court proceedings • Disincentive to expansion and establishment of new child care services • Planning does not consider 'children first.' • ECEC and school education facilities not colocated making access difficult for parents • Potentially constrains effective land utilisation • Makes child care 'compete' with residential in residential zones inflating the overall cost of development and return on investment
Federal, state and local government	<ul style="list-style-type: none"> • Limited data on demand and supply at the micro level • Environmental planning and assessment • Building code of Australia 	<ul style="list-style-type: none"> • Impedes planning and business investment decisions • Oversupply in some areas, under supply in others • Limited suitable land restricts free entry into child care sector • Potentially inflates land values • May lead to a lack of competition on fees and quality of programs
State and territory education departments	<ul style="list-style-type: none"> • Ineffective utilisation of school facilities and land 	<ul style="list-style-type: none"> • Restricts new services being established in unutilised facilities

Responsibility for addressing many of these barriers lie largely with local government, as identified by the Productivity Commission in its review of local government's role as a regulator (July, 2012). Ideally, local governments would take the lead in planning adequately for the ECEC needs of their local community. There are some good examples of this. Strategies that have been used to support increased supply include land release (e.g. ACT Government), improved planning (e.g. Leichhardt Municipal Council NSW), providing facilities for private services (e.g. Sydney City Council NSW), and investment in new service operations (e.g. Canada Bay City Council NSW).

The extent to which local governments play a role in ECEC varies. This may reflect local issues and decision making. For example local governments, like Leichhardt Municipal Council and Sydney City Council which are in areas of high demand have often shown a willingness to support the provision of child care services through land release, improved planning and by operating services.

Nonetheless not all local governments take a proactive approach to supporting ECEC, particularly when they have not historically been involved in service delivery and do not have a strong sense of its importance to the local economy. Indeed there are some local governments which are potentially exacerbating supply issues by selling off government operated centres (e.g. Bayside City Council VIC), or are selling off council land on which ECEC services have lease/license forcing them to close (e.g. Ku-ring-gai Shire Council NSW). Some have restrictions on the number of places in services (e.g. City of Vincent WA), with some as low as 30 in residential areas, and anti-clustering rules stop new services from being established (Blacktown City Council). Other councils are now charging increased rents for government owned facilities, where those facilities used to be provided as part of a peppercorn arrangement.

Figure 24: Best Practice Guide to the Planning and Development of Child Care Facilities

Given the variety of approaches to ECEC planning at the local, territory and state level, the former federal government tried to tackle barriers by commissioning the Australian Centre for Excellence in Local Government, at the University of Technology Sydney, to develop the Best Practice Guide to the Planning and Development of Child Care Facilities. This was designed to address:

- prioritisation of child care within land use planning
- allocation and use of land and infrastructure
- development approvals processes, including streamlining of processes for child care developments
- size, location and type of services and places offered
- the role of state and territory legislation in supporting development of child care services
- the inclusion and prioritisation of children's rights and interests in the planning process
- data required by state and local governments to support effective planning processes for child care.

At the time of writing, the final Guide has not been released by the current government. We consider that the research supporting the report, and the report itself, is of significant consequence for this Inquiry.

The role of state/territory governments

Planning failures have been exacerbated by an ad hoc approach from state/territory and federal governments. There was a time when the federal government limited approvals for new places according to areas of need—actively encouraging new services in areas of undersupply while deterring developments in areas of known oversupply. While not advocating a return to this level of direct influence, ECA believes that the federal government could do more to identify areas of undersupply and oversupply and make that information available to decision-makers.

Poor planning of ECEC services across Australia has been exacerbated by the lack of quality data on ECEC availability and access, particularly at a local level. There is no reliable data on ECEC waiting lists or demand at an Australia wide level. What data is available may be used to plot the number of ECEC places against the number of children birth to five in a given area; e.g. a 'places vs population analysis'. This does not show demand, but describes ECEC use by children at a local level. The data collected through the CCMS and MyChild could be better utilised to inform planning, together with data on school enrolment patterns but what is really needed is predictive models based on population demographics and workforce trends.

As these matters are related to matters of national productivity, ECA also supports the development of a national working group of all three tiers of government to address the issue of supply.

Figure 25: The role of government agencies across jurisdictions

Australian Government	State Government	Local Government
Funds child care assistance to families	Minimal funding provided to approved child care services	Responsible for the local planning and development of early childhood education and care services, through local planning regulation
Funds establishment, operational and sustainability assistance to child care services	Funds Aboriginal and Torres Strait Islander early childhood services	May operate or fund the provision of early childhood services and facilities
Funds Budget Based Funded services	Regulates early childhood education and care services	Coordinates integration between services working with families at the local level.
Funds universal access to preschool	Responsible for state planning and development	
Funds inclusion support	Primary funding responsibility of preschools/kindergartens and may operate them	
Funds sector development and early childhood research	Delivers and funds early childhood workforce development initiatives	
Funds early childhood workforce development initiatives	Member of the Standing Council for School Education and Early Childhood	
Member of the Standing Council for School Education and Early Childhood		

Finding information—MyChild and other websites

ECA considers that it is critical that parents have reliable access to information they need to access ECEC.

The MyChild website currently provides a useful locational search and mapping tool of ECEC services. This then enables users to see information about the fees, vacancies and NQS quality ratings of all CCB approved services. Services are required to report their fee data and vacancy data through their child care software which is linked to the CCMS.

There are a wide range of private websites that provide valuable information to families on ECEC as well as broader child and family issues. ECA often collaborates with websites like Raising Children's Network. We think that these sites are an important source of information, but that they must remain complimentary and not be considered as a replacement for information provided by the government on ACECQA's website and MyChild.gov.au.

We believe that the federal government is best placed to ensure that families have reliable, timely and accurate information on the early childhood services and programs the government is providing.

An analysis of the reporting of vacancies on the MyChild website shows that many CCB approved services are failing to meet their obligations of reporting on their vacancies accurately. If the data reporting issues were resolved these reports would be very useful in analysing the availability of ECEC across locations. More work is needed to improve compliance or identify alternatives. For example, an alternative would be to remove services from the process of reporting of vacancies altogether and instead create an automatic vacancy reporting mechanism in CCMS, which would compare data on CCB use and licensed places at the service to provide a picture of overall vacancies. This would reduce red tape for services and provide accurate information to families, though it would be a costly change and there may be significant methodological challenges in determining what is a genuine vacancy at a given time.

Fee reporting by services for use on MyChild is also a problem. Due to the commercial in-confidence reasons, it is up to ECEC services as to whether they report their fees through CCMS on MyChild. As a result, many do not, and those fees which are reported are often out of date. ECA believes that there is a public interest in services providing this information to families, justified by a high level of subsidy provided by the government for fees. Confidentiality provisions apply under Part IIIA of the Child Care Act 1972 and relevant provisions of the Privacy Act 1988 which prevent the Secretary of the Department from requiring the reporting of fees. The legislation should be amended to exempt the mandatory reporting of fee information by services on the MyChild website through CCMS.

Government child care assistance is difficult to understand for both services and families. Calculators are available on the MyChild website to assist, however parents and services still often do not know how much can be claimed due to the complexity of the system. That is why reference to gross child

care fees is preferred by services in conversations with parents, rather than describing net fees, as these are often unknown, difficult to quantify or variable depending on the family's circumstances. ECA supports the development of a common language for use by the sector which describes the net fees of child care services.

Introduction of standardised billing clearly showing the government's contribution would also assist in helping parents to understand the real cost of child care, at the time their bills are due.

Raising capital

Since the collapse of ABC Learning, there has been a trend of consolidation among long day care providers. Growth of providers has mainly occurred through acquisition of smaller services rather than through the building of new services. This is reflected in the capital raising and subsequent market announcements of the ASX listed G8 Education (GEM) and other large private ECEC providers.

While acquisition may assist in consolidating the fragmented ECEC market, low growth of new centre-based services over recent quarters is cause for concern. This may also be indicative of barriers faced by providers in starting new services and the building of new facilities in areas of demand. We do not associate this trend with the NQF.

Non-profit services, by their nature, find it difficult to capital raise other than through any debt facilities available to them. Since the 1997/1998 Budget cuts following the Commission of Audit, non-profit services have not received any significant supply side funding from the federal government. As a result, these important services have become a much smaller player in the ECEC market due to their limited ability to fund new services.

While business currently has access to cheap capital across the general market, ECA believes that there is more work to be done to explore new ways of encouraging non-profit services to raise capital to expand the places they deliver. This may include working with private equity firms, superannuation funds, banks and the government to design a new investment vehicle for the sector which provides a return to investors.

The decision to build an ECEC centre, as with any business decision, requires careful planning and research. ECA recommends that the government consider establishing a capital investment scheme that provides interest-free or low-interest loans to experienced service providers (not-for-profit, public and private) to establish or expand facilities in areas of need due to market failure. This could be a cross-government initiative in which local government establish which areas have unmet need and commit to fast-tracking planning approvals when state and federal government can provide investment resources to build sector capacity in the form of low-interest or no-interest loans for capital investment to build new facilities or expand existing services. In metropolitan areas this could be combined with support to work with large employers who may be able to make space available

for the development of service settings. In rural and remote areas the scheme might also support the expansion of mobile services or other flexible delivery models.

6.2 Improving mainstream flexibility

ECA understands that work patterns have changed and many parents are working beyond standard business hours and/or variable shift arrangements. We recognise that the children's services sector needs to respond to this and provide flexible options for families.

At the same time we need to ensure children's needs are met—that routines for sleeping and eating are maintained, they are able to form relationships with regular carers and that long hours in centre-based care is avoided where possible.

The evidence shows that the stability of relationships in ECEC is considered to be critically important for the socio-emotional and cognitive development in early childhood (AAP/APHA, 2002). Children in multiple care arrangements show lower than average language, social competence, and behavioural control (Morrisey, 2008; Morrissey, 2009; Tran & Weinraub, 2006). The OECD suggests that the continuity of children's experience across environments is greatly enhanced when parents and staff-members exchange regularly and adopt consistent approaches to socialisation; daily routines, child development and learning (OECD, 2006).

Quality ECEC with staff to child ratios and the qualifications of the staff are critical structural matters underpinning high-quality early childhood programs with consequent improved learning, developmental and health outcomes for children. The OECD (2006) suggests that analysis of access to early childhood services should take into account 'the basic quality indicators—child-staff ratios; group size; the qualifications levels and certification of the educators, the quality of materials and environments.

Are services flexible, yet suited to the needs of young children (not merely 'slot' services but environments where children are cared for by trained professionals able to offer a sustained developmental programme)? (OECD, 2006, p. 77)

The number of hours used, or the 'intensity of child care', may affect children's outcomes in ECEC services. Analysis from the Longitudinal Study of Australian Children (LSAC) shows that low and medium ECEC use (up to 28 hours per week) is associated with better children's outcomes compared to other levels of usage. However, the Institute found no significant negative effects from using any level of ECEC (hours) compared to not using ECEC (Melbourne Institute, 2011).

Children's wishes also need to be taken into account with respect to flexible ECEC. While the literature and policy regarding flexible ECEC has often concentrated on the risks and needs of children in ECEC services, it has been suggested that children also have a legitimate role as active users with wishes that may be taken into account in the formulation of ECEC services.

Flexible ECEC models

The flexibility of ECEC is quite broad and may include, but is not limited to services that:

- deliver services to a flexible location
- offer flexible patterns of care
- offer flexible enrolment patterns
- offer extended opening times
- offer overnight ECEC
- offer weekend ECEC
- work in combination with other services.

ECA has had feedback from providers that demand for overnight child care is low. They find that parents do not want to leave their children in child care for long periods of time.

This pattern has also been noted by providers with regard to extended hours centre-based care beyond normal hours. We note that many services do not operate a 9.00 am to 5.00 pm model of care. The most common hours are between 6.30 am to 6.30 pm with a standard deviation of around one hour. This is because CCB approved long day care services must conform to minimum operating hours.

Child care flexibility fund and trials

ECA believes that there is scope for more innovation in the area of flexible ECEC. We support the government's Child Care Flexibility Trials which are testing models of flexible ECEC.

We consider that the trial partners and the government are best able to provide information on the trials themselves, their take-up and how they are addressing family's needs.

Existing flexible practices

ECA is aware of existing models across the rest of the ECEC sector which deliver flexibility, though it is unclear to what extent these practices are being used. Increasing the availability of these options will help to address flexibility, particularly if successful models can be transferred across services.

ECA is currently being funded by the Department of Education through our Early Childhood Flexibility Practices and Patterns project to:

- identify innovative practices in early childhood service delivery that are already providing, or have the potential to provide increased flexibility of care arrangements to families with young children
- highlight how exemplar services operate and function

- analyse factors contributing to and barriers restricting operators being able to increase flexibility through the analysis of community settings, financial structures and staffing arrangements.

ECA's project, while complementing the existing Child Care Flexibility Trials other services are currently undertaking, is different to those trials and aims to demonstrate the range of existing flexible practices and assist providers to learn from the implementation of these models at other services. We look forward to providing the government with feedback from a sector survey and these matters by the end of March, 2014 and a detailed report in October, 2014.

Initial scoping suggests that there may be a range of barriers to flexible ECEC practice including but not limited to:

- planning and development and other related regulations, i.e. local/state government regulations
- regulation of ECEC, i.e. NQF and the Education and Care National Law and Regulations
- CCB issues i.e. Family Assistance Law Regulations and Guidelines
- prohibitive costs
- wage cost/industrial/workplace relations barriers
- ECEC workforce issues, e.g. lack of staff
- issues with ECEC service lease/licence
- lack of demand from parents.

The extent to which these and other barriers are affecting flexible ECEC provision will be addressed by the Flexibility Practices and Patterns project.

A further aspect of the project is the attributes of services that are able to deliver flexible ECEC. We suggest that the capacity of services to deliver flexible ECEC does differ and that a range of factors may be at play depending on the model employed which may include such things as:

- IT innovation
- accounting expertise
- security of tenure in the premises
- stability of client families using the service
- flexibility in early childhood programming
- strong industrial relations advice and support
- strong management/committee support
- strong parental and community engagement
- strong partnerships with other organisations/government/corporations
- low overheads
- a professional workforce

- workforce stability
- a flexible workforce
- a commitment to flexible practice in the service's strategic/business plan.

Flexible ECEC and work and family constraints

It is important to place child care flexibility in the context of both the workforce and family arrangements. Child care flexibility, workplace flexibility and family flexibility are all part of a 'puzzle' in balancing workforce participation with child rearing responsibilities (Emlen, 2010 & OECD, 2006). In other words 'Parents compensate for a shortage of flexibility in one area of life by finding an abundance of it in another, if they can' (Emlen, 2010).

The degree of flexibility in workplace and family arrangements varies (Baxter & Alexander, 2008) which puts pressure on ECEC services to be more flexible. ECA believes that it is not incumbent on ECEC services to provide flexibility alone and that this is also a responsibility of employers and workplace relations law. The two must be considered together. We have welcomed proposals to provide for the right to request flexible working arrangements, particularly as these allow for balancing of child care arrangements.

Service integration and coordination

Early childhood services interact with around one million families at any given time. There is significant scope for integrating support for families through these services and coordinating access to a range of health, education and community services. Within mainstream long day care and outside school hours services there are opportunities for greater coordination, such as:

- literacy development programs (see Figure 25 below)
- parenting education and support services
- immunisation and health checks.

6.3 Meeting the needs of rural, regional and remote communities

The children in these remote locations are often those that are most vulnerable and disadvantaged. Children in these remote locations are entitled to the same high-quality care as those in metropolitan areas, however this can prove difficult. For example, it is often difficult to attract and maintain appropriately qualified staff to these locations. Often, recent graduates are sent to these locations with little or no experience of the culture or context into which they are placed. Building in these areas is extremely costly and accessing materials and tradesmen is another challenge. Increased support in these locations is required if these children are to receive the same level of education and care as those in metropolitan areas.

Some communities can be isolated for many weeks each year as the wet season hits and cuts these communities off from the remainder of the country. In order to access some of these communities it may require a commercial flight from Perth then either a charter flight from Broome or several days in a four wheel drive to access them, when they are accessible. The communities have limited services including housing, water and food.

ECA notes that there is inherent tension in funding issues associated with regional and metropolitan areas. While some regional services suffer from a lack of demand as they cater for families which are less able to afford to access ECEC. On the other hand, services have lower overheads than metropolitan areas in terms of land/rent costs. Metropolitan services are often in high demand, but often have high overheads, particularly in inner city areas.

ECA supports supply side funding being provided to ECEC services in areas of market failure, particularly in remote and regional Australia. More support for disadvantaged children to access ECEC is required through child care assistance. This will improve demand for ECEC services in the bush, who predominately cater to disadvantaged communities, and better access will also improve these services' revenue position.

MACS and mobiles

These services are among those that are funded under the Budget Based Funding model. They are funded differently to other ECEC services because their utilisation rates are inherently so variable that a CCB model would be difficult. Further, mobile services do not meet the eligibility criteria for CCB (open 50 hours per week etc.).

The combination of inadequate indexation and 'efficiency dividends' over many years have eroded the value of the funding provided to these services, resulting in budget shortfalls and in some cases service capacity being reduced.

The SNAICC representative to the National Children's Services Forum reports that the Children and Family Centres (CFCs) being developed under the National Partnership Agreement for Indigenous Early Childhood Development (NPA IECD) are receiving both capital and operational funding at a substantially higher level than the MACS.

6.4 Aboriginal and Torres Strait Islander children

Evidence demonstrates that strong community governance enhances outcomes for Aboriginal and Torres Strait Islander communities, and enables sustainable and context-specific service delivery. Central also to the 'Closing the Gap' agenda is a model that specifically promotes Aboriginal and Torres Strait Islander agency and self-governance at the service and community levels. As the recent Australian National Audit Office (ANAO, 2012) report on Indigenous service delivery provided, the

need for investment in Aboriginal and Torres Strait Islander service organisations must be recognised as a priority not just for effective service delivery, but as a policy objective in itself, in so far as it promotes local governance, leadership and economic participation, building social capital for Aboriginal and Torres Strait Islander peoples. What is required therefore is a model that promotes Aboriginal and Torres Strait Islander agency and self-governance at the service and community levels and centres on *access* to services. Critical to this approach is a reconceptualisation of Aboriginal ECEC services and their role, recognising their unique and valuable position in delivering the COAG defined 'Closing the Gap' and early childhood development outcomes.

Sustainable, integrated early childhood education, care and family support funding approach is required. Currently there is considerable uncertainty. In June, 2012 DEEWR commenced a review into the Budget Based Funding program and there has been very little feedback on this process or future directions. The future of the Budget Based Funding program warrants serious investigation, consultation and planning. In addition, 38 Aboriginal Children and Family Centres were set up through the NPA IECD, which is nearing its end. This creates significant uncertainty for these centres' sustainability post June, 2014.

Early Childhood Australia supports SNAICC's submission to the Commission's Inquiry and its recommendations to:

1. Develop a long-term national strategy for early childhood development for Aboriginal and Torres Strait Islander children to drive ECEC sector reforms. This is critical to clarify the objectives of ECEC to ensure that a service system responds to these objectives. We recognise the resources invested in the development of the Indigenous Early Child Care Plan (2008? Check), which could provide a foundation for this work.
2. Redress inequity in funding for children attending mainstream and non-mainstream services.
3. Map current service gaps which limit access to quality ECEC for Aboriginal and Torres Strait Islander children, recognising the need for service choice for Indigenous families.
4. Invest in a long term sustainable program, adapted from the non-mainstream Budget Based Funding program, which provides adequate supports to Aboriginal and Torres Strait Islander children for whom the mainstream system is not appropriate.
5. The program would be designed for services which have clear objectives to work with local Aboriginal and Torres Strait Islander communities to provide integrated child, family and community centred services. Clear program objectives, principled program criteria and evidence based models would drive transparent decision-making criteria on service access to the program, including for both existing and new services.
6. Embed evidence on effective transition to school for Indigenous children into early childhood and primary tertiary courses;
7. Establish a discrete three year funding program to support evidence-based transition to school programs for Aboriginal and Torres Strait Islander ECEC services and schools across Australia.

Family day care

Family day care is an important component of the ECEC system, providing an option that meets the needs of many families. Family day care services are more flexible than centre-based services, often offering after hours care for children, and therefore a lack of family day care reduces flexibility in balancing the needs of family and work.

Family day care has its own unique availability issues. Housing affordability is an important issue in the provision of family day care services. Family day care coordination units often find it more difficult to recruit educators to deliver services in areas with high housing prices. As family day care settings may require changes to fixtures in the home, operating educator services in rented homes is difficult. The result is that the coverage of family day care educators is often sparse across areas with high housing prices, particularly in inner metropolitan areas.

Many families are also unaware of the availability of family day care services as an alternative to centre-based care and that it attracts government subsidies and is required to meet the NQF.

Family day care services are reliant on family day care educators providing services. Many family day care educators start operating to earn extra income while caring for their own children; however there is a great career path for those educators to continue to deliver services after their own children have grown up. There is more work to be done by governments and the sector to promote family day care as a good career choice.

Outside school hours care

We note the Commission's regarding idea 'extending the school day'. We believe that this would best be delivered in conjunction with OSHC services, specifically to provide more places—in areas where parents need access to out of school hours care; and enhanced activities and programs for children (particularly older children) such as sporting activities, music lessons and homework clubs in 500 schools across Australia.

Extending the school day, suggested by the Commission, by increasing school hours would assist some families who find it difficult to pick up their children at 2.30 pm or 3.00 pm. However, there would be a number of parents who would still struggle with a pick up time of 5.00 pm. OSHC currently provides that flexibility for families outside of the 9.00 am – 5.00 pm working day. That said, there is little evidence of a systemic need for extended hours by families beyond the standard closing time of 6.30 pm in the evening.

There are a number of barriers for the establishment or expansion of new OSHC services. Some of these issues are common to those faced by other centre-based services including upfront capital costs, and constraints due to local planning and/or lack of available land and capital funding costs.

OSHC services are currently supported in a number of ways by the federal government. There are around 101 OSHC services supported through the Community Support Program who can claim establishment assistance, though only not-for-profit services are eligible for ongoing OSHC sustainability assistance.

There are a number of key access issues faced by OSHC services explored below.

Responsive programming

Responsive programming for older age children (9–12) and children with a disability is a particular issue for OSHC services. This ultimately is a matter of availability and access, as families may not be satisfied with activities being delivered or the environment and parents may withdraw from the workforce to care for their children after school.

Network of Out of School Hours Services Association (NOSHSA) is currently being funded to address these issues through 60 action based research projects in OSHC services across Australia. These projects utilise existing infrastructure and invest in improved skills and knowledge of educators to identify opportunities to create more flexible and responsive service provision for the local community. The funding also includes the funding of 12 community co-ordination project officer roles to facilitate the development of new services and provide mentoring and support to existing services participating in the action research. These projects are important to improve practice across the OSHC sector.

Access to facilities

Out of school hours care services are commonly located near or within schools and are often run by P&C committees. As the National Foundation of Australian Women (NFAW) notes, OSHC on-school sites are ideal, yet schools continue to be built without any dedicated OSHC facilities.

Out of school hours care use has often not been seen as a priority, or the core business, for school management. Schools may not allow OSHC services operating from available facilities, preferring to leave them unused or available for use by other community organisations. Schools should be making appropriate facilities available for community use, unless they have an exemption, in order to provide these vital services for families.

This could be achieved by leveraging the Commonwealth's significant funding for school education to mandate the establishment of OSHC services, where there is room available, in areas of demand.

This measure would ideally form part of a joint approach with state, territory and local governments to prioritise the delivery of programs and address barriers where necessary.

Regional OSHC issues

Currently OSHC services are required to be open five days a week to gain CCB approval. This means that in areas with lower demand such as small regional towns, they are unable to sustain a full time OSHC service. An exemption could be provided for regional areas to allow OSHC services to open for a minimum of two days per week for CCB approval purposes. This would enable OSHC services to cater to the needs of local communities, and align them to TAFE courses and other days where care is required by farming families.

Workforce issues in OSHC

Quality and workforce issues also relate to access issues. Like many ECEC services, OSHC services often find it difficult to attract and retain qualified staff. This is exacerbated by the existence of split shifts before and after school hours.

Employees in OSHC services are faced with difficult work patterns, with dual before-hours and after-hours shifts divided by a long break during the middle of the day.

Many educators work for OSHC services while they are studying and then take up better opportunities with long day care providers and schools once they gain their qualification. Due to the difficulty of retaining staff, OSHC services are currently excluded from the qualifications standards under the NQF for ECEC, though the sector would like to be covered in the future.

A possible way to bridge these difficult working arrangements would be to engage out of school hours educators in co-located schools as an early childhood teacher or teacher's aide. This would enable the teacher to work across OSHC and a tailored primary school program ensuring longer and more sustainable working hours and potentially better income for the educator than they would otherwise maintain in an OSHC setting. It would also enable the employment of more highly qualified OSHC staff meeting the objectives of the NQF.

Such a model is already employed in the NT and SA where OSHC staff are employed by schools and work during the school day as teacher's aides.

While the working hours of OSHC staff are problematic for attracting qualified staff, the sector has been successful in engaging casual and part-time trainee teachers to work in their services helping them gain practical experience interacting with children.

In some states, such as NSW, this experience is recognised through increased salary arrangements for graduate teachers. This makes OSHC an attractive job for trainee teachers helping to attract them to OSHC and retain them for the duration of their studies. Further roll out of recognition for prior OSHC work could be supported by the Commonwealth as an attraction and retention measure.

Teenagers with a disability in OSHC

NOSHSA reports that many primary school based services are being forced to cater for teenagers, or even adults, with a disability because they are unable to access age appropriate services.

The Department of Social Services (DSS) funds the Outside of School Hours Care for Teenagers with Disability Program. A priority for the OSHC sector is ensuring that there is further support for this program for teenagers with a disability. ECA supports further funding being delivered to the Teenagers with a Disability program to avoid situations where teenagers with a disability share services with school aged children. It is inappropriate for small children to share the same services with teenagers.

6.5 Supporting inclusion

Statistics indicate that 15 to 20 per cent of children have additional needs which suggests that a significant number of ECEC services would be or could be working with special needs children and their families.

Research evidence indicates that children in inclusive programs generally do at least as well as children in specialised programs. There are benefits for children with and without disabilities, particularly with respect to their social development. Specific teaching strategies are an important contributor to child outcomes and collaboration among parents, teachers, and specialists is a cornerstone of high-quality inclusion.

Families of children with a disability generally view inclusion favourably (National Professional Development Centre on Inclusion, 2009).

The introduction of Australia's first NQF (DEEWR, 2012) is a powerful driver for achieving inclusion. The EYLF (DEEWR, 2009) is a core part of the NQF and provides a strong theoretical and philosophical foundation for respecting diversity and acting for equity and inclusion for all children in ECEC programs. The service delivery standards and quality practices now required under the NQF strengthen the regulatory basis for action.

Within the context of the NQF, inclusion involves early childhood educators practising high expectations in supporting children with a disability to achieve learning and development outcomes consistent with those identified for all children, including that:

- children have a strong sense of identity
- children are connected with and contribute to their world
- children have a strong sense of wellbeing
- children are confident and involved learners

- children are effective communicators.

While inclusion is built into the EYLF and NQS, it is important to ensure more children get access to quality ECEC programs to support their development.

The level of participation for children with disabilities within ECEC is often not as high as it is for other children. This may be a resourcing issue, or relate to staff attitudes and beliefs, staff training needs, staff qualifications, lack of leadership or other reasons. With regards to resourcing, there may be a need for specialist equipment, an additional educator in the room, environmental or activity modifications. If all these factors are not in place, a child may not be able to fully participate in the program.

A range of resources, based upon individual need are required to support children with disabilities. Insufficient, inappropriate or inadequate resources may prevent the child's access and participation. For example:

- Some services will only allow a child to attend for the number of hours for which they receive the Inclusion Support Subsidy (ISS). This not only limits the child's educational experience but also limits the parent's employment opportunities, as a full work day plus commuting can involve 10 or more hours per day.
- The Specialist Equipment Program relies on an external therapist who is not funded by the Inclusion and Professional Support Program (IPSP) for its prescription, fitting and monitoring. In some states, the state-funded Early Childhood Intervention Program (ECIP) will provide this service, but in other states there is no state-funded program that provides this service. Sometimes a child is unable to access an Early Childhood Intervention (ECI) program due to waiting lists or eligibility criteria and an equipment service is not available through the public system. This means that parents are asked to pay for a therapist to visit the ECEC service to perform these functions and this can cost families \$500 or more. In addition, private therapists may not be familiar with the ECEC environment or the specific considerations in providing equipment in this environment.
- Bicultural support is not always available or easy to access. It is seen as an essential service as bicultural support provides eligible ECEC services with access to an interpreter or other bilingual/bicultural person to support the service to enrol and settle a child/children from culturally and linguistically diverse, or refugee or humanitarian intervention backgrounds.
- Staff training regarding inclusion is limited, both in pre-service education and professional development. Many undergraduate courses no longer include content on disability awareness or inclusion. In addition, although the Professional Support Coordinators (PSCs) are funded to provide professional development as part of the IPSP, very little to none of the training offered is on inclusion. Where training is available, it is often delivered with a considerable time lag between the need being identified and support offered.

Resourcing inclusion

Including children with a disability requires support from governments, organisations and institutions to build strong foundations for families to support children's learning, development and wellbeing. This requires that governments, organisations and institutions acknowledge publicly the importance of children's services that practise high-quality inclusion for all children and implement a systems approach to inclusion at all levels, including:

- service and funding systems that are easy for families and service providers to navigate
- readily available, accurate and comprehensive information about disabilities and related services for families
- information for the community that breaks down attitudinal barriers
- full access to physical environments in services and the broader community
- easy access to high-quality inclusive ECEC services and programs across all service types and settings
- ready availability of additional educators, inclusion support facilitators and other support professionals
- a stable and skilled ECEC workforce with relevant skills, knowledge and access to ongoing professional development and support
- the introduction of national and state accountability systems that monitor increases in the number of children with a disability enrolled in inclusive programs, improvement in the quality of inclusive practices and improvements in the outcomes for children with a disability in ECEC settings.

The ISS has had no real increase in funding since its inception in 2006, despite an 8 per cent increase in the number of ECEC places in the four year period from 2005 to 2009 (DEEWR, 2010). If this increase is extrapolated to 2013 we can assume an increase of 15 to 20 per cent over this period. In addition, the proportion of children with a disability accessing ECEC has increased, as the importance of inclusion is realised and the sector builds its capacity through the support of the ISA and other components of the IPSP. IPSP program providers are therefore being asked to assist educators to include 15 to 20 per cent more children in ECEC, with no increase in resources. This is not sustainable in the longer term.

The fundamental issue for children in ECEC settings is the cost of delivering inclusion support. The ISS does not deliver adequate support for services to fund an educator. It is limited to five hours per day (LDC), two hours per day (BSC), three hours per day (OSHC), eight hours per day (VAC) and up to 50 hours per week for FDC. Services need to not only bear the cost gap between the subsidy and real costs but must also self-fund the total cost of any hours in addition to those covered by ISS. In our experience many children have been denied enrolment for this reason. ECEC services can also refuse to accept enrolments of children with a disability on the grounds of financial hardship.

It is concerning that parents of children with a disability are asked to provide evidence that ISS is not being used for respite purposes. However, we note that other parents accessing CCB and CCR are not asked the purpose of attendance as long as they meet work/training/ study test. We believe that the focus must be on providing access to children with additional needs to the educational benefits for the child in attendance at ECEC. In considering ECEC services, the Productivity Commission needs to take into account the possible role of the National Disability Insurance Scheme (NDIS) within ECEC. Although the National Disability Insurance Agency (NDIA) will not fund services related to education, it is believed it will fund personal care related to accessing education. How the two systems will interface needs consideration.

Recommendations:

22) Address supply issues in ECEC, through:

- a. federal government data collection and analysis to provide accurate information on demand trends, ultimately through the development of predictive models
- b. state government commitment to increasing the delivery of outside school hours care in appropriate facilities on school grounds
- c. local government planning and problem solving
- d. capital investment to support not-for-profit operators to set up new services and/or expand existing services in areas of high or predicted unmet need, through free or low interest loans or greater access to publicly owned facilities (local/state or federal government owned facilities).

23) Maintain and expand support for increased flexibility through:

- a. flexibility trials in long day care and family day care
- b. exemptions to minimum opening hours under CCB approval requirements for services in regional areas where demand is variable across the week, month or year.

24) Continue to invest in integrated services and service coordination to better address the needs of families and communities affected by disadvantage.

25) Invest long-term in services operated by Aboriginal and Torres Straits Islander communities and build their capacity to meet the NQS while providing holistic, integrated services to families and children.

26) Build the capacity of the early childhood education and care system to be responsive to the needs of children with a disability, through:

- a. increasing the Inclusion Support Subsidy which takes into account the decline in the rate of the ISS over time (in real terms) and the cost of employing an educator
- b. extending the Teenagers with a Disability Outside School Hours Care program (funded through DSS).

7 Summary of recommendations

- 1) The best interests of children are put at the centre of the early childhood education and care system.
- 2) Reforms and ongoing improvements to the ECEC system are informed by the views of children, as well as their families, with support from the National Children's Commissioner.
- 3) The vision for early childhood education continues to be that 'all children have the best start in life to create a better future for themselves and for the nation'.
- 4) That an outcomes framework be developed for the ECEC system to measure the impact of higher quality programs at the individual and system level.
- 5) Maintain a national commitment to quality ECEC, acknowledging the strong research evidence for determinants of quality including:
 - a. the qualifications required of staff
 - b. numbers of qualified staff
 - c. staff to child ratios
 - d. requirements regarding group size, health, safety and physical space.
- 6) Develop best practice guidance to drive improvements in physical learning environments for early childhood education and outside school hours care.
- 7) Increase public education on the determinants of quality in ECEC to assist family decision-making and support better informed social discourse.
- 8) Continue workforce development initiatives where they are still needed and proving effective and consider listing the Early Childhood Diploma qualification on the Skilled Occupation List.
- 9) That regional early childhood networks be established across Australia to enhance leadership and development opportunities in collaboration with other services.
- 10) Support the continued implementation and refinement of the National Quality Framework (NQF) to provide certainty to the sector and ensure ongoing quality improvement.
- 11) Maintain support for the sector to implement the National Quality Standard (NQS) through sector development, workforce development and professional development initiatives.

- 12) Undertake thorough research to quantify the cost of quality and other cost drivers, ensuring that any strategies to reduce cost would actually have an impact on fees.
- 13) Ambitious targets should be agreed at COAG to improve access to ECEC for children, specifically to:
 - a. meet the current universal preschool access targets in the short term
 - b. set a target for 90 per cent of children aged between three years and school age attending ECEC for at least 30 hours per week for the medium to long term.
- 14) Establish a new data collection system to monitor participation against agreed targets.
- 15) Invest in further evaluation and development of integrated service models for communities affected by social and economic disadvantage.
- 16) That the Productivity Commission look carefully at the proposals for investment reform outlined in Professor Brennan's report on early childhood education and care financing, including the proposed model for a single (early learning) subsidy to replace CCB and CCR that is progressive in targeting more support to low and middle income families while continuing to provide some support to all families using quality assured services.
- 17) Significant reform is needed to the way in which the federal government invests in early childhood education and care in order to:
 - a. simplify the system for parents and reduce up-front out-of-pocket expenses
 - b. reduce or discourage price inflation and improve transparency
 - c. remove structural problems in the current system where possible
 - d. adopt an appropriate model for indexation that ensures investment keeps pace with real costs
- 18) Review the Special Child Care Benefit to make sure it is meeting its original objectives to support children at risk.
- 19) Early childhood education and care warrants continued government investment to support quality in service delivery and affordability for families.
- 20) All forms of early childhood education and care that are eligible for government support or subsidy should be incorporated into the National Quality Framework (including in-home care, preschool, kindergarten, mobile services and multipurpose/integrated services) to ensure the investment contributes to positive outcomes for children.
- 21) Review policy interaction and relative priorities for investment across paid parental leave, family payments and ECEC.

- 22) Address supply issues in ECEC, through:
 - a. federal government data collection and analysis to provide accurate information on demand trends, ultimately through the development of predictive models
 - b. state government commitment to increasing the delivery of outside school hours care in appropriate facilities on school grounds
 - c. local government planning and problem solving
 - d. capital investment to support not-for-profit operators to set up new services and/or expand existing services in areas of high or predicted unmet need, through free or low interest loans or greater access to publicly owned facilities (local/state or federal government owned facilities).
- 23) Maintain and expand support for increased flexibility through:
 - a. flexibility trials in long day care and family day care
 - b. exemptions to minimum opening hours under CCB approval requirements for services in regional areas where demand is variable across the week, month or year.
- 24) Continue to invest in integrated services and service coordination to better address the needs of families and communities affected by disadvantage.
- 25) Invest long-term in services operated by Aboriginal and Torres Straits Islander communities and build their capacity to meet the NQS while providing holistic, integrated services to families and children.
- 26) Build the capacity of the early childhood education and care system to be responsive to the needs of children with a disability, through:
 - a. increasing the Inclusion Support Subsidy which takes into account the decline in the rate of the ISS over time (in real terms) and the cost of employing an educator
 - b. extending the Teenagers with a Disability Outside School Hours Care program (funded through DSS).

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