

## Goodstart Supporting Evidence to Senate Inquiries:

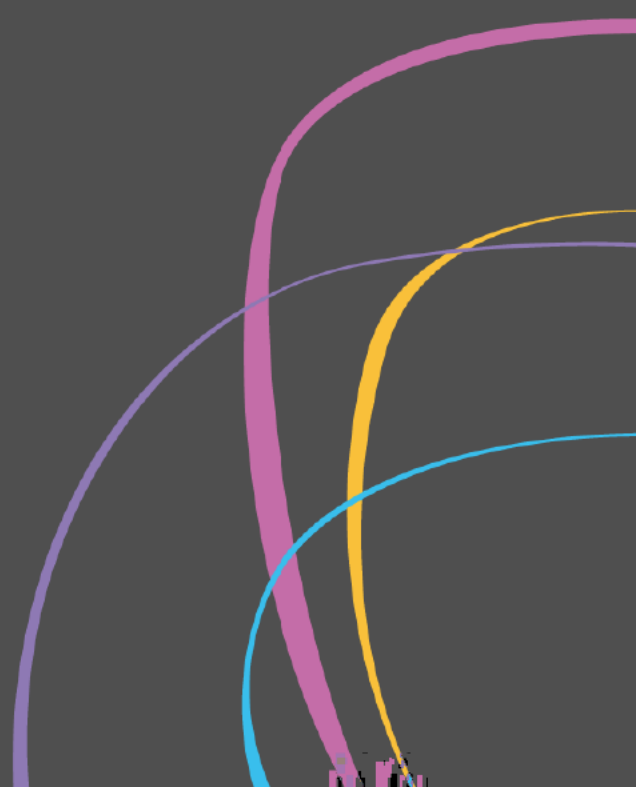
The immediate future of the childcare sector in  
Australia

The delivery of quality and affordable early  
childhood education and care services.

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**goodstart  
early  
learning**

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## Structure of this submission

This document provides supporting evidence and addresses the Terms of Reference for two senate inquiries:

- The immediate future of the childcare sector in Australia
- The delivery of quality and affordable early childhood education and care services.

Each section is mapped to the Terms of Reference for each inquiry, with the specific references to the relevant Terms of Reference outlined at the start of each section. This material was originally developed for the Productivity Commission Inquiry into Childcare and Early Childhood Learning.

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## 1. About Goodstart Early Learning

Goodstart Early Learning (Goodstart) is Australia's largest provider of early childhood education and care, with 13,000 staff caring for 73,000 children from 61,000 families across 641 centres. Goodstart is a not-for-profit, for-purpose social enterprise.

As Australia's largest and only national provider of early childhood education and care, Goodstart is uniquely placed to contribute to the Committee's Inquiry. Goodstart is committed to raising the quality of early learning for all Australia's children, from communities as diverse and dispersed as Mount Isa and Mosman to Dandenong and Derby.

Goodstart supports the National Quality Framework (NQF) and National Quality Standards (NQS) as a way to achieve a nationally consistent quality framework that emphasises tailoring of learning programs to the needs of children in each community.

At Goodstart, our 61,000 families are our primary partners. Families comprise traditional families, blended families, and single-parent families. Families are relatively culturally diverse, and have high employment rates, being skewed to industrial sectors with people often employed in technical, labour, or machine-operator roles. Around 75 per cent of Goodstart children receive a means-tested Child Care Benefit (CCB) payment and of these 33 per cent receive the maximum rate of CCB.

### The Goodstart story

Goodstart was formed in response to a unique set of circumstances: The body of evidence recognising the importance of the first five years, and the opportunity to reinvent the extensive but ailing ABC Learning network, with the possibility to transform early learning in Australia.

In 2009 a consortium of four of Australia's leading charities—The Benevolent Society, the Brotherhood of St Laurence, Mission Australia, and Social Ventures Australia—recognised an opportunity to address one of the key sources of many future problems: Poor early childhood experiences. With the support of Australia's financial, legal, business, government, and philanthropic sectors, the consortium raised \$95 million to make a successful bid for 660 of the centres that had been part of the former ABC Learning, which had gone into voluntary liquidation in 2008.

Today, Goodstart is a social enterprise that operates for purpose, not profit.

Goodstart's vision is for Australia's children to have the best possible start in life. Its mission is to provide high-quality, accessible, affordable, community-connected early learning in its centres, as well as partner and openly collaborate with the sector to drive change for the benefit of all children.

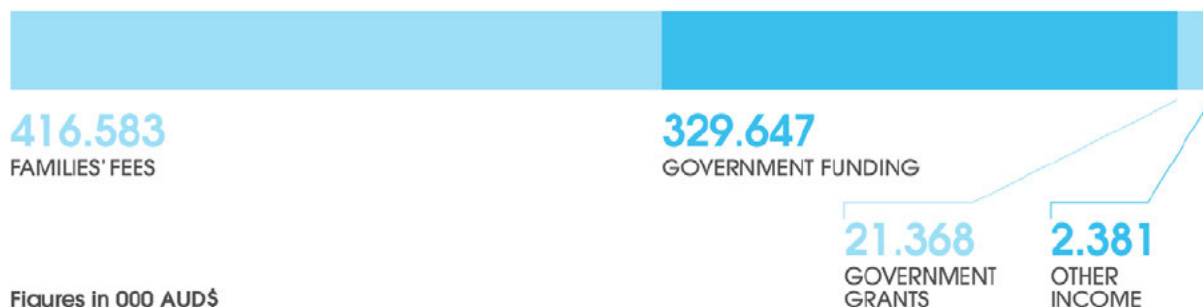


Through the foundation of its capable and qualified people, the three strategic goals that drive Goodstart’s work are:

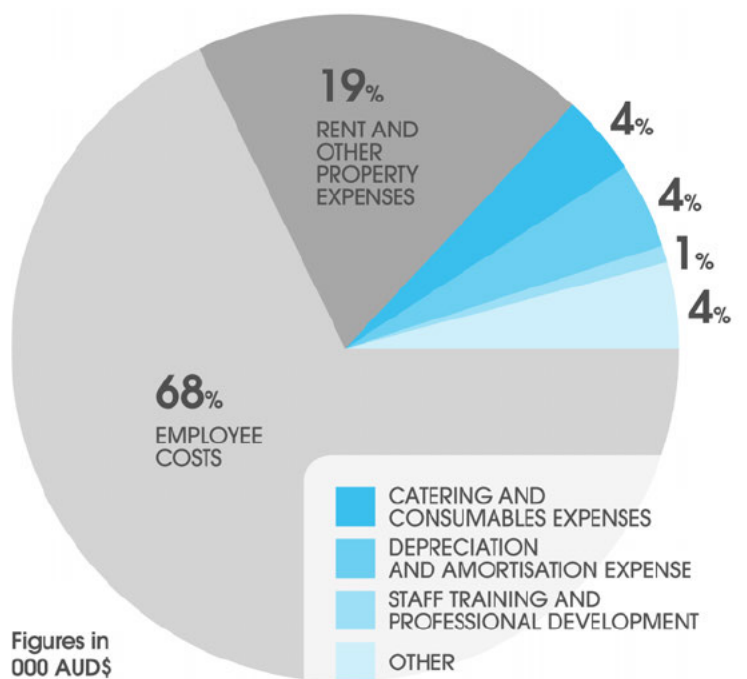
1. **Quality**—raise the quality of early learning
1. **Inclusion**—enable all children’s access to and inclusion in early childhood programs
2. **Stability**—ensure financial stability to generate a surplus to reinvest in quality and inclusion initiatives

## Size and funding profile

For the financial year ended 30 June 2013, Goodstart generated total revenue of \$769 million. Of that revenue, around 43 per cent was government financial assistance—mainly CCB and Child Care Rebate (CCR)—and another 3 per cent was government funding, mostly for Universal Access to Preschool National Partnership funding. All other revenue (54 per cent) came from families. The support of the Government is vital to the sustainability of the sector.



Employee costs, and rent and property expenses made up 87 per cent of Goodstart’s total operating costs of \$761 million for the year ended 30 June 2013.



## 2. Context - what role should governments play in ECEC?

This section provides the context for considering the Immediate Future of the Childcare sector in Australia inquiry and the Delivery of Quality and Affordable ECEC Inquiry.

### Key points:

- Government involvement in early learning and care has two equally important objectives—child development, and workforce participation
- Government involvement through investment, regulation, and service delivery should be designed to achieve these two objectives together.
- Governments have competing priorities for scarce resources. However, the evidence demonstrates there is a strong case for investing more in ECEC overall, and specifically in investing in high-quality early learning and care that is focused on child outcomes.

Governments at all levels currently play a broad range of roles in the ECEC sector. These roles span funding and financing (both through payments to families and operational subsidies to service providers), regulation, and service delivery, as well as a broader strategic management role that includes collection and publication of data, strategic planning and leadership. It is appropriate that governments use this diverse set of levers to respond to the breadth and diversity of community and economy-wide circumstances. All levels of government should continue to be flexible, pragmatic, and responsive in choosing their role within the ECEC sector with a view to ensuring an efficient and effective service system.

As the Productivity Commission Issues Paper notes, the rationale for government involvement in ECEC has two main elements: Supporting good child development outcomes, and supporting workforce participation.

There is significant evidence that children’s participation in high-quality learning and care generates better early learning and development outcomes (see Section 4). In turn, this has a range of positive impacts on a child’s life outcomes, generating large social and economic benefits for children, families, and the broader community. In the absence of government involvement, there is a strong likelihood that:

- **Children will not participate in sufficient amounts of ECEC:** Fewer children would participate in ECEC, both because parents would be less able to afford it, and because parents and families may not be sufficiently aware of the benefits of participation.
- **The variable quality of services will result in adverse developmental impacts for those children that do participate:** Parent choice alone would not be sufficient to ensure ECEC services were of adequate quality—both because parents and families may not be sufficiently aware of the importance of quality, and also because they may not be able to adequately assess quality.

As child development outcomes are a key focus of government’s involvement in ECEC, child outcomes should be a strong basis for planning activity and measuring success. Importantly, as many of Australia’s children are doing well and achieving good development outcomes, any measure of the success of governments’ involvement in ECEC should pay significant attention to those children who are not participating. This should include developing a better understanding of cost-related and non-cost-related barriers to participation for those children.

In relation to workforce participation, government action to encourage parents of young children to participate in paid employment can generate significant economic and social benefits for families and the nation that outweigh costs. Section 5 discusses this rationale in more detail. In summary, in the absence of government involvement, there is a strong likelihood that:

- women would work fewer hours than they otherwise would, and
- women's lifetime workforce participation would be lower than it otherwise would be.

All government involvement—whether through funding, regulation, or direct service delivery—should aim to maximise benefits in line with the dual rationale of supporting good child development outcomes, and supporting workforce participation.

**In relation to funding, this means that both:**

**- the overall level of government spending on ECEC, and**

**- the allocation of early learning and care spending**

**should be determined so that they have the greatest possible impact collectively on these two objectives.**

One key challenge for the design of policy settings is therefore to work towards both of these objectives in a balanced way. Settings that achieve only one of these objectives are insufficient. For example, settings that focus solely on child development—such as fully subsidising all children's participation in high-quality early learning and care regardless of the parents' employment status—may not adequately support workforce participation objectives. Similarly, settings that focus solely on reducing costs of paid employment—such as regulatory settings that produce lower-cost, lower-quality child care or baby-sitting services—will not adequately support child development outcomes, and should be rejected.

Decisions about the design of policy settings inevitably involves balancing a number of trade-offs. Three critical areas where key trade-offs or decisions are required are:

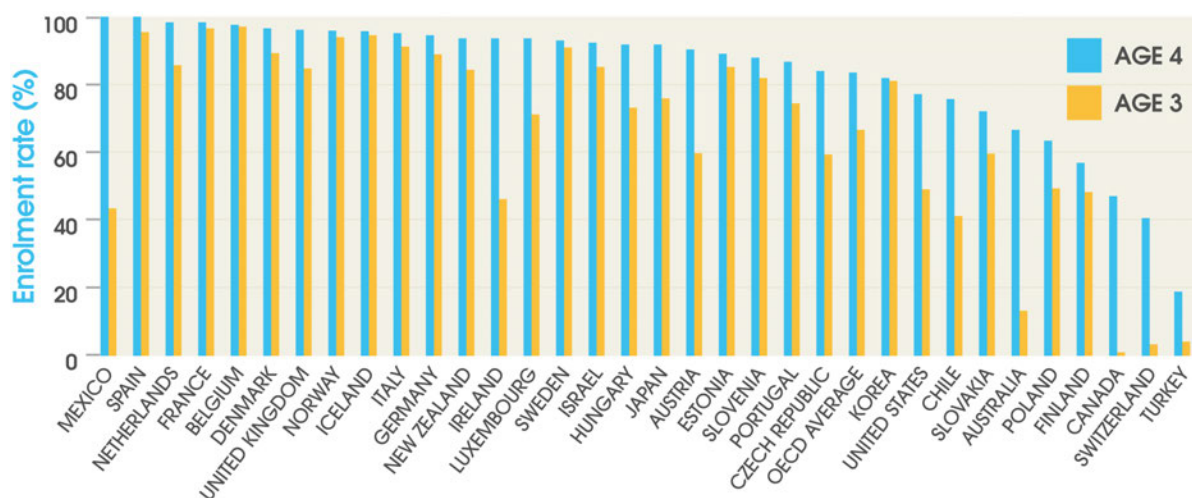
- 1. Workforce participation versus child development objectives, within the ECEC spending envelope.** As illustrated in the examples above, there may be tensions between workforce participation and child development objectives. To ensure the optimal trade-offs are made, settings should be designed with full consideration of the social and economic benefits of ECEC from both a child development and a workforce participation perspective. In particular, consideration should be given not just to the short-term economic impacts of increased workforce participation and fiscal costs of government spending on services, but also to the:
  - longer-term social and economic benefits, including through better education, health and employment outcomes, workforce productivity, etc., and
  - longer-term positive impacts on government finances, including through higher tax revenues and reduced spending on welfare and services.
- 2. Government investment in early learning and care, versus investment in other priorities.** Governments face a range of spending and investment priorities. In a challenging fiscal context, there is a clear trade-off between government spending on ECEC, and other areas. Again, these decisions should be informed by careful consideration of the evidence regarding the impacts of spending on ECEC relative to other areas. For example, there is substantial evidence that public investment in early childhood yields significantly greater social and economic benefits relative to other areas that are often the focus of government investment. This is not reflected in current patterns of public investment, suggesting there is scope to improve the existing allocation of government spending.

3. **Private versus public investment.** In principle, the design and level of government investment should seek to ensure the optimal level of total investment in early childhood—whether from private or public sources. Australia’s current patterns of investment are revealing on this front (Figure 1 and Figure 2).

Figure 1<sup>1</sup>: OECD countries’ expenditure on ECEC 2010-11

NEW ZEALAND  
UNITED STATES  
DEN\*

Figure 2<sup>2</sup>: Enrolment rates in ECEC



Compared to other OECD countries, Australia’s investment is characterised by:

- above-average total investment per participating child
- below-average ratio of public-to-private investment per participating child
- low overall participation by children, relative to other countries.

<sup>1</sup> Goodstart analysis of OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing. Luxembourg (<\$20,000) not shown <http://dx.doi.org/10.1787/eag-2013-en>, Table C2.1

<sup>2</sup> Goodstart analysis of OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing. <http://dx.doi.org/10.1787/eag-2013-en>, Table C2.2

In principle, the combination of relatively high total investment and relatively low proportion of government investment would suggest the existing policy settings are relatively efficient. However, Australia's overall low participation is extremely significant—it suggests the current level and design of government investment may not be sufficient to achieve the desirable total level of participation and investment. One interpretation of this is that low levels of public investment are a barrier to participation for many Australian children and families. The future mechanisms of government spending and investment need appropriately leveraged private investment, while ensuring participation objectives are met and that affordability is not a barrier to participation.

## Other International Benchmarks

In terms of its commitment to quality, accessibility, and affordability of ECEC, Australia was ranked just 28<sup>th</sup> out of 45 nations in a major benchmarking study in 2012 conducted by the Economist Intelligence Unit<sup>3</sup>. Australia lags behind the leading countries like Norway and the United Kingdom in terms of ECEC availability, affordability and quality. We are also well behind on close neighbour New Zealand and our key trading partner South Korea. Our international competitors recognise the value and importance of investing in the early years. Australia needs to match this effort in order to remain competitive in the global economy.

## Conclusion

In this submission we make the case for increasing investment in ECEC to meet the dual policy objectives of optimising children's learning and development and supporting workforce participation. Our international competitors have recognised that ECEC is a good investment and Australia is falling behind. They have higher levels of public investment and are ensuring children participate. Carefully designed policy instruments can deliver fiscally sustainable social and economic returns through increased participation in quality ECEC in the short, medium and long term for individuals, families, communities, and the nation.

## Related recommendations

- 1 The overall level of government investment in ECEC should increase, commensurate with the enormous potential social and economic benefits of investing in early childhood.
- 2 Government investment should be redesigned to ensure it is directed where it will have the greatest possible impact: Workforce participation, particularly among mothers of young children, and learning and development outcomes for children, particularly for low-income families and vulnerable children.
- 3 The National Quality Framework must be supported and maintained.
- 4 Government investment must ensure the long-term affordability, accessibility, and sustainability of high-quality ECEC for Australian families.

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<sup>3</sup> Economist Intelligence Unit (2012) *Starting Well*



### 3. Governments should support children’s participation in *high-quality* ECEC

This section addresses the following TOR for the Immediate Future of the Childcare sector in Australia inquiry:

- The current regulatory environment and the impact on children, educators and service providers (TOR b).

This section addresses the following TOR for the Delivery of Quality and Affordable ECEC Inquiry:

- Outcomes for children in ECEC services including regulation, participation and access to services and environments for learning (TOR a-ii, a-iii, a-iv)
- A progress report into the implementation of the NQF (TOR b).

#### Key points:

- The quality of ECEC has a profound influence on children’s development throughout the rest of their lives and all children should have the opportunity to benefit from high-quality ECEC.
- There is a wide range of domestic and international evidence demonstrating the benefits from high-quality ECEC for children, families, and the nation.
- The NQF and NQS are improving outcomes for children, ensuring a national minimum standard for ECEC and streamlining regulation.
- The assessment and ratings process is driving continuous improvement in centres and providing robust comparable information to parents.
- ECEC delivers broader social benefits to the community and provides a universal network that can facilitate integrated service delivery for children and families. There are opportunities to build on the strengths of long day care services including the facilities, staff, and community relationships.

#### Overview

The United Nations Convention on the Rights of the Child states: “All children have the right to an education that lays the foundation for the rest of their lives, maximises their ability, and respects their family, cultural and other identities and languages.”

High-quality ECEC provides a good start to lifelong learning for children and peace of mind for parents. A high-quality early childhood service:

- provides children with caring and nurturing learning programs and, where appropriate, specialist intervention for children
- creates and enhances family and community networks
- becomes a trusted source of information and support to families.<sup>4</sup>

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<sup>4</sup> (OECD, 2001)

## Determining and ensuring quality—a provider perspective

Quality in early learning is delivered through structure (controlled factors of the environment like staff qualifications, ratios, and requirements regarding group size, health, safety, and physical space) and through process (the interactions and activities that occur in an ECEC setting, especially the child-to-educator and child-to-child interactions, and the planned educational programs and activities).

The ratios and qualification requirements outlined in the NQS, complemented by the Early Years Learning Framework (EYLF), provides the foundation to ensure all children accessing ECEC in Australia benefit from a consistent, quality early learning environment that is developmentally appropriate for their age, ensures their safety and security, promotes their learning and development, and provides additional support if needed.

To have quality interactions in a care setting, the right number of staff with the right qualifications is critical.<sup>5</sup> Having the right qualifications and ratios means educators can build relationships with children and be responsive to their needs, to help them to learn and develop. It also means children's safety and wellbeing is ensured.<sup>6</sup>

Translating this to the individual service level—more qualified staff and higher educator-to-child ratios results in better quality and better child outcomes.

- **Ratios:** Quality ratios reflect the different types of interactions and relationships that are suitable for children of different ages and ensure children can receive the individual attention they need each day.<sup>7</sup> Appropriate ratios enable positive and more frequent interactions, greater engagement in children's play, lower levels of child distress, and more positive nurturing behaviour from staff.<sup>8</sup> They are also an important predictor of quality for both older and younger children.
- **Qualifications:** Having qualified educators means educators have the skills to ensure all children reach their potential and are learning every day.<sup>9</sup> Qualifications are associated with better child outcomes in areas such as pre-reading, social and behavioural gains, reduced 'antisocial/worried' behaviour, and language and reasoning. Highly skilled educators should know what to look for and how to help if a child is experiencing problems like language delays, hearing, or vision problems. Early identification of these issues makes all the difference.<sup>10</sup>

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<sup>5</sup> Huntsman, L. (2008). Determinants of quality in child care: A review of the research evidence. [http://www.community.nsw.gov.au/docswr/assets/main/documents/research\\_qualitychildcare.pdf](http://www.community.nsw.gov.au/docswr/assets/main/documents/research_qualitychildcare.pdf)

<sup>6</sup> Sylva et al 2004 op cit; Moore T 2008 Towards an early years learning framework for Australia CCCH Working Paper 4. Parkville, Victoria: Centre for Community Child Health; COAG 2009 Investing in the Early Years – A National Early Childhood Development Strategy Australian Government, Canberra

<sup>7</sup> American Academy of Paediatrics 2005 *Quality Early Education and Child Care from Birth to Kindergarten* Policy Statement 115, 1 187-191; NICHD Early Childhood Research Network (2000). Characteristics and quality of child care for toddlers and preschoolers. *Applied Developmental Science*, 4(3), 116–35; Phillips, D., Mekos, D., Scarr, S., McCartney, K. & Abbott-Shim, M. (2000). Within and beyond the classroom door: Assessing quality in child care centres. *Early Childhood Research Quarterly*, 15(4), 475–496.

<sup>8</sup> 'Towards a national quality framework for early childhood education and care', Report of the Expert Advisory Panel on Quality Early Childhood Education and Care, (2009)

<sup>9</sup> CCCH 2006 *Quality in Children's Services* CCCH Policy Brief No 2. Parkville, Victoria: Centre for Community Child Health; Sylva et al 2004

<sup>10</sup> Munton, T., Mooney, A., Moss, P., Petrie, P., Clark, A. & Woolner, J. (2000). *Research on Ratios, Group Size and Staff Qualifications and Training in the Early Years and Childcare Settings*, Thomas Coram Research Unit, University of London, Research Report RR320.

When Goodstart was established in 2010, a review and analysis of the existing research was conducted to determine how to deliver high-quality accessible, affordable, community connected early learning. Our analysis concluded the evidence-based NQF provides the right minimum standards to ensure high-quality early learning and care to the 73,000 children that attend our 641 centres nationwide.

## Regulation is the key lever for government to ensure quality

A regulatory framework is needed to ensure nationally consistent minimum standards in ECEC and also to ensure governments are capitalising on the opportunity presented by investment in ECEC. Market pressures alone are unlikely to lead to the provision of quality ECEC services, particularly in the mixed-market landscape in Australia<sup>11</sup>. The NQF and the NQS intended to:

1. ensure all children receive high-quality ECEC and to spread benefits broadly, including building human capital and addressing the needs of at risk children
2. streamline and harmonise industry regulation to the benefit of both regulators and the regulated.

The NQF provides a pathway to ensuring children in every corner of the country receive the same high-quality care and early learning opportunities, and ensuring a 'minimum ECEC return' on government investment. It provides a reform pathway to lift the quality of ECEC in each of our centres, provide transparent information to parents, and streamline regulation across the country. We are just a few years into a long journey of transformation, but the NQF will ensure positive outcomes will be achieved for all children. More detailed commentary about regulation is outlined in Section 7.

## National Quality Standards (NQS)

Implementing the NQS has been a challenge but is an investment worth making.

## Qualifications

Goodstart is pleased to report the following achievements in meeting the NQS, which are already contributing to children's learning and development outcomes:

- All centre-based staff at Goodstart have a minimum of a Certificate III in Children's Services or are working towards one. In 2011, around 1,800 educators didn't have an early years qualification. Goodstart is very proud of this achievement.
- Fifty per cent of educators have or are working towards a Diploma or Bachelor qualification and these staff are supported through a network of Professional Learning Consultants.
- Goodstart now has more than 625 Early Childhood Teachers (ECTs) across its total centre permanent and casual workforce, up from just 165 in early 2010. We also have many staff who are well progressed in obtaining their Bachelor qualification in early childhood teaching.

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<sup>11</sup> Productivity Commission (2011) Workforce Report

## 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<sup>12</sup>.

The American Academy of Paediatrics' 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'.*

The American Academy of Paediatrics identifies staff to child ratios as a significant *contextual* matter which can affect young children's brain development and overall development and learning. Their Policy Statement recommends staff to child ratios which are lower than Australia's *National Quality Framework*. Australia's ratios are also lower than those that apply in the United Kingdom:

Prior to the commencement of the NQF, Australian children sat in services with some of the highest children to educator ratios in the world:

### Child to carer ratios (aged 0-3 years) 2010<sup>13</sup>

Country	Child to carer ratio
Korea	4
Japan	4.5
Ireland	4.5
Netherlands	5
UK	5
US	5
Denmark	5.25
Finland	5.5
Sweden	5.5
New Zealand	5.5
Hungary	6
Switzerland	6
France	6.5
Belgium	7
Canada	7
Italy	7
<b>Australia*</b>	<b>7.5</b>
Norway	8
Austria	8.7
Portugal	11

(\*Australia then had a 1:5 ratio for 0-2 and 1:10 for older children)

<sup>12</sup> NICHD Early Childhood Research Network (2000). Characteristics and quality of child care for toddlers and preschoolers. *Applied Developmental Science*, 4(3), 116–35.

<sup>13</sup> OECD PF4.2 Quality of Childcare and early childhood services [www.oecd.org/els/social/family/database](http://www.oecd.org/els/social/family/database)

Some states moved early to reduce child to educator ratios to bring them closer to world best practice. A key objective of the National Quality Framework has been to standardise ratios across the country so that all Australian children enjoy a comparable quality of care. The ratios set in the NQF were based on sound research, and set was regarded as a reasonable level of good practice rather than world best practice. Australia's NQF ratios are not as high quality as those recommended by the American Academy of Pediatrics, or as those that apply in the United Kingdom.

#### Comparison of staff to child ratios<sup>14</sup>

Age group	Korea	Netherlands	Finland	United Kingdom	Australia (NQF)	American Academy of Pediatrics rec'd
0 to 12 months	1:3	1:4	1:4	1:3	<b>1:4</b>	1:3
13 to 24 months	1:3	1:4	1:4	1:3	<b>1:4</b>	1:4
25 to 30 months	1:5	1:5	1:4	1:4	<b>1:5</b>	1:4
31 to 35 months	1:5	1:5	1:4	1:4	<b>1:5</b>	1:5
Three years+	1:15	1:6	1:7	1:8	<b>1:11</b>	1:7

Ratio changes were done in two stages to smooth the cost. In 2012, the ratios for nursery room (birth to 2) were standardised at 1:4. For older age groups, the ratios will be standardised in 2016. Four jurisdictions (Western Australia, Tasmania, NT and the ACT) already meet the ratios and there will be no change in 2016. Victoria already exceeds the standard for the 2-3 years age group, while New South Wales and South Australia already exceed the standard for the 3-5 years age group:

#### Educator to child ratio changes in 2016 (Changes in red):

State / Territory	0-2 years NQF	2 – 3 years PRE NQF	2 – 3 years NQF	3 – 5 years PRE NQF	3 – 5 years NQF
Queensland	1:4	1:6	<b>1:5</b>	1:12	<b>1:11</b>
Northern Territory	1:4	1:5	1:5	1:11	1:11
New South Wales	1:4	1:8	<b>1:5</b>	1:10	1:10
Aust. Capital Territory	1:4	1:5	1:5	1:11	1:11
Victoria	1:4	1:4	1:4	1:15	<b>1:11</b>
Tasmania	1:4	1:5	1:5	1:10	1:10
Western Australia	1:4	1:5	1:5	1:10	1:10
South Australia	1:4	1:10	<b>1:5</b>	1:10	1:10

The 2016 changes will not be without cost to the sector, which highlights the need for the government to reform the payments system to reduce the growing gap between costs of the service and the level of childcare

<sup>14</sup> OECD 2010 ibid

assistance. Goodstart supports the 2016 changes because they will finally provide all Australian children with a consistent set of rules and give all Australian children equal access to their educators and carers.

Importantly, as a regulatory standard, they will not permit operators to cut costs (and prices) by compromising quality of care to children. However, they will not preclude operators from offering a higher level of quality. Indeed, there are numerous instances across the sector of providers already doing so.

### **Assessments and Ratings—measuring quality**

Goodstart supports the move towards outcome-based assessment. The organisation supports the assessment and ratings process and Quality Improvement Plans as a way to monitor the quality of a centre and provide robust, comparable, and transparent information to parents. Providing parents with easy to understand comparable information about the quality of ECEC services allows them to make informed decisions about which ECEC service best meet their child's needs.

Goodstart's experience of the NQF and the NQS assessment and rating process to date has been very positive. At Goodstart, five out of six centres originally assessed at a 'working towards' level have improved their ratings and outcomes for children and families at their second assessment. It appears centre staff have been empowered by the process to build robust Quality Improvement Plans, and these have guided the ongoing strategic and practical improvement of the services.

### **Early Years Learning Framework (EYLF)**

Goodstart Early Learning supports the EYLF and the theories and research that underpin the document. *Belonging, Being and Becoming: The Early Years Learning Framework for Australia* created a pendulum swing that supported the sector to move from a focus on viewing children from a deficit model to recognising children as competent learners who, through quality teaching, gain the foundation skills and social resilience necessary for future life success and economic prosperity.

Implementing the EYLF is worth the investment for children and families, and for the professional reward of skilled and dedicated early learning professionals. Our organisation is committed to supporting our workforce to gain the necessary skills and knowledge to embed the EYLF. Goodstart has developed 'toolkits' of resources to assist educators with day-to-day practice and advisory staff work alongside educators to help them apply theoretical knowledge of teaching and learning to practice. Ongoing professional development will see continuous improvements and deliver efficiencies as educators become more competent in implementing the EYLF and meeting the NQS.

## **The link between quality ECEC and child outcomes**

### **The importance of the first five years**

Research in neurobiology has confirmed the importance of the early years in shaping the architecture of the brain; in fact, 80 per cent of brain development occurs in the first five years. Researchers have concluded these years build the foundation for lifelong learning, health and success with essential numeracy, language, literacy, behavioural, social, and emotional skills formed during this time.

Young children learn best through high-quality interactions and relationships with the adults in their lives.<sup>15</sup> High-quality early childhood education experiences are seen to have the potential to benefit all children in terms of their cognitive and social development, with higher quality programs having a positive effect on these dimensions<sup>16</sup>.

There are sensitive periods for different aspects of brain development and ECEC must be tailored to meet the differing needs of babies, toddlers, and preschoolers. For example, the foundations for emotional control are primarily established in the first six to 30 months of life and are powerfully influenced by the quality of the care and stimulation a child receives during this time. The acquisition of language is highly associated with the quality of language and interactions from birth to two years. Behavioural and social skills develop through interactions with adults and other children in the preschool years.<sup>17 18</sup> Quality ECEC supports children during this time of critical brain development and can also provide practical advice and direction to parents to help children learn and develop.

Investment in ECEC presents a unique opportunity to set all children up for a successful future.

**“Children who have good early childhood experiences before age six, in stimulating, nurturing environments have better outcomes throughout their life ... better school grades, better self-esteem, fewer social problems and fewer health problems and are less likely to be teen parents, use drugs or be involved in crime.” Clyde Hertzman (2003)<sup>19</sup>**

## The importance of a universal and targeted approach

The benefits of targeted programs are accepted and outlined in the Issues paper. However, it is important to note that high-quality ECEC provides a unique opportunity for government to make a high-yield investment in our nation’s human capital as *all* children are influenced by the quality of education and care they experience.<sup>20</sup> In the same way that all Australians benefit from a universal health care system with targeted/intensive support provided for those who need more, so too do children and families stand to benefit from an early childhood system that builds on high-quality, universal services for all with targeted approaches where and when required. Another benefit of universal services is that by providing a common platform they can remove and reduce the stigma associated with accessing specialist targeted programs. This should be an important consideration in the policy design process.

The National Early Childhood Development Strategy notes there is good longitudinal evidence (for example, from the EPPE study and the Triple P evaluations) that quality early childhood education and parenting programs can benefit all children and families. In addition, the NQS is predicated on evidence that the early years of children’s lives are important for their current and future health, development, and wellbeing. The

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<sup>15</sup> Harrison, L., Ungerer, J., Smith, G., Zubrick, S.R., Wise, S., Press, F., . . . The LSAC Research Consortium. (2009). Child care and early education in Australia: The Longitudinal Study of Australian Children. *Social Policy Research Paper No. 40*. Canberra: Australian Government Department of Families, Housing, Community Services and Indigenous Affairs; Sylva 2004 op cit.

<sup>16</sup> Urbis Social Policy, 2011; Wise, Da Silva, Webster, & Sanson, 2005

<sup>17</sup> McCain M, Mustard J, and Shanker S, (2007), the Early Years Study 2: Putting Science into Action. Toronto Council of Early Childhood Development.

<sup>18</sup> Mustard J, & Young M, (2007) Measuring Child Development to Leverage Early Child Development Policy and Investment.

<sup>19</sup> Hertzman, (2003) cited by Stanley F in The Real Brain Drain – why putting children first is so important for Australia. National Press Club Address 6 August 2003. Accessed at <http://www.australianoftheyear.org.au>

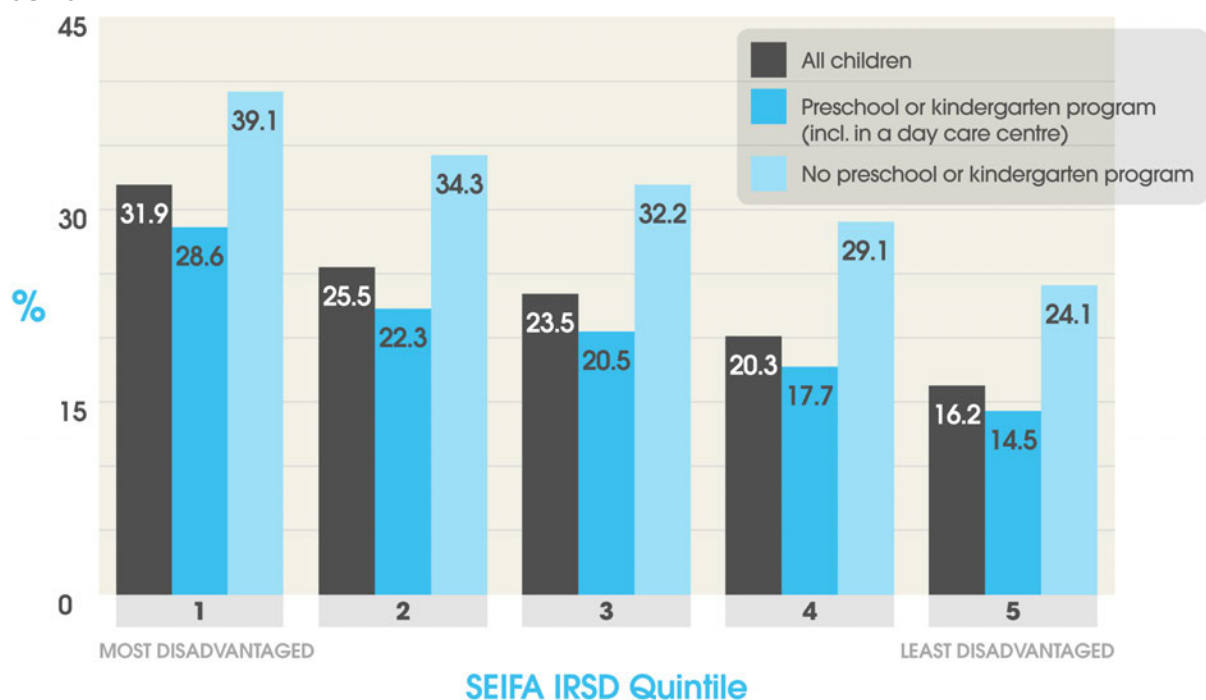
<sup>20</sup> Sylva et al, 2003;

minimum quality requirements in the NQS have been identified by the OECD as critical to the provision of high-quality ECEC for all children.

Universal approaches are the best way to address disadvantage because vulnerability occurs right across society. Targeting in the absence of universal approaches to ECEC will not reach all vulnerable children because the largest group of vulnerable children is in the middle of the social gradient<sup>21</sup>. Comprehensive cost-benefit analysis has not been conducted in Australia, but there is good international evidence to demonstrate universal approaches in ECEC could be particularly cost effective because of the unique opportunity the first five years presents in terms of delivering effective early interventions to address vulnerabilities.<sup>22</sup>

One example demonstrating the importance of a universal approach to address vulnerability before school is provided in Figure 3 below, which is based on income level and preschool attendance for the 2009 Australian Early Development Index.

**Figure 3: Developmentally vulnerable on one or more AEDI (Australian Early Development Index) domain**



Source: AEDI, 2009.

This graph makes a compelling case for a universal and targeted approach. It shows access to quality early learning makes a difference for all Australian children, and particularly for children from disadvantaged backgrounds, in particular:

- The benefit of early learning was present across the entire social gradient.
- The most disadvantaged children benefited most from a preschool or kindergarten program.

<sup>21</sup> *Investing in the Early Years – a National Early Childhood Development Strategy* (2009); Doherty G, (2007), op. cit: and Mustard F (2008), *Investing in the early years: closing the gap between what we know and what we do*. SA: Adelaide Thinker in Residence 2007

<sup>22</sup> Barnett W.S. & Frede E 2010 "The Promise of Preschool: Why we need Early Education for All" *American Educator* Spring 2010: 21-40



- Even in the highest SEIFA (the Index of Relative Socio-economic Advantage and Disadvantage) quintile, 24 per cent of children were still assessed as developmentally vulnerable if they had not attended preschool, falling to 14.5 per cent (still one in seven) if they had.

Similar results have been reported in the recent evaluation of the introduction of free full-time kindergarten programs in Ontario. The provincial government has been progressively rolling out the move from half-day kindergarten to full-day kindergarten conducted by registered teachers in a learning-rich environment. By September 2014, five years into implementation, the program will reach 265,000 children. The evaluation of the program found levels of developmental vulnerability fell to 21 per cent for children in the program, compared to 25 per cent for children on the former program.<sup>23</sup>

Economic research shows cost-benefit ratios for investment in the early years far outweigh investment in later years, with people more likely to finish school, find a job, enjoy better health, stay out of jail, and earn more.<sup>24</sup> Early intervention can save governments many billions of dollars in more costly later interventions.<sup>25</sup> Public investment in early learning generates jobs, provides a strong economic stimulus with a strong multiplier effect, and sends back almost as much in tax revenues for every dollar invested.<sup>26</sup>

In the context of significant government investment in ECEC and consistent with best-practice regulation, governments should regulate minimum standards. Of course, governments must also maximise the return on investment. Investment must also be weighed up against other competing priorities. The case for universal access to quality ECEC from a learning and development perspective is summarised above, however the case is confirmed when the other side of the coin—workforce participation—is considered. The multiple returns from quality ECEC in terms of both learning and development and workforce participation warrant ongoing government involvement and increased investment in a universal and targeted service system.

## Evidence of the outcomes of quality ECEC

There is good evidence that quality early childhood programs are effective in improving outcomes for children and a comprehensive evidence base informed the development of the NQF<sup>27</sup>. This section will provide selected key evidence about the outcomes of quality ECEC. Several key Australian early childhood experts and academics have made detailed submissions to the Productivity Commission that provide a more comprehensive review of the literature and evidence.

A number of studies have found a strong link between early learning participation and improved school performance later in life. The largest and most reputable studies are the international schooling benchmarking

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<sup>23</sup> Ontario Ministry of Education (2013) *A Meta-Perspective on the Evaluation of Full-Day Kindergarten during the First Two Years of Implementation*, Toronto September, p.9

<sup>24</sup> Heckman J J, Moon, S H, Pinto R, Savelyev P A, Yavitz A 2010 The rate of return to the High Scope Perry Preschool Program *Journal of Public Economics* 94: 114-128; Heckman J J, Grunewald R; Reynolds A 2006 *The Dollars and Cents of Investing Early: Cost-Benefit Analysis in Early Care and Education*, Zero to Three, USA, July 2006: 10-17.

<sup>25</sup> Kershaw P, Anderson L, Warburton B & Hertzman C (2009) *15 by 15: A comprehensive policy framework for early human capital investment in BC*, report prepared by the Business Council of British Columbia Opportunity 2020 Project, University of British Columbia, August 2009; Alexander A 2013 *Investment in Early Childhood Education can boost skills and reduce inequality* Perspective TD Bank Group, Toronto Canada 25 October 2013 [www.td.com/economics](http://www.td.com/economics); Grunewald R & Rolznick A J (2003) "Early Childhood Development: Economic Development with a High Public Return" *Fedgazette*, Dec 2003, Federal Reserve Bank of Minneapolis; Kershaw et al (2010), Heckman et al (2006);

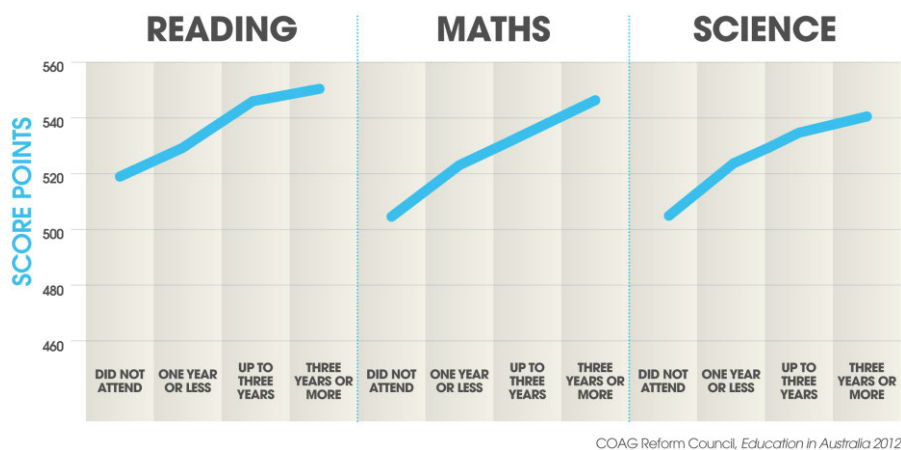
<sup>26</sup> Fairholm R & Davis J (2010) *Early learning and care impact analysis* Atkinson Charitable Foundation, Canada

<sup>27</sup> Huntsman, L. (2008). *Determinants of quality in childcare: A review of the research evidence*; OECD (2010). *Encouraging Quality in Early Childhood Education and Care*, Paris: OECD; Productivity Agenda Working Group (2008). *A national quality framework for early childhood education and care*. Canberra PAWG; Edwards, S., Flear, M., & Nuttal, J. (2008). *A Research Paper to inform the development of an Early Years Learning Framework for Australia*. Melbourne: Office for Early Childhood Development.

studies *Performance in International Reading and Literacy Standards (PIRLS)*<sup>28</sup>, and *Trends in International Science and Mathematics Study (TIMMS)*<sup>29</sup>. Both studies measure the performance of children in around 40 countries in Year 4 and Year 8 of school. The Grade 4 studies are measured against participation in ECEC, and also the number of years a child has spent in ECEC.

The 2013 COAG Reform Council’s report on education in Australia reported that children who have access to some ECEC have much higher achievement levels in reading, maths, and science in Year 4 than those who don’t. It also shows that children who attend ECEC for more than a year do markedly better on tests than those who attend for just one year or less. This is compelling evidence for investing in universal quality ECEC from a very early age. Figure 4 summarises these results and shows that children who attend one year of early learning have higher test scores in than those who did not attend, and that children who attended for one to three years or three years or more had even higher test scores.

**Figure 4: Attendance at pre-primary education and average achievement levels in international testing, Year 4 students in Australia, 2011**



### Other key points from PIRLS and TIMMS

The PIRLS results suggests that students attending more years of ECEC do better in terms of their reading scores. A full table of results is at Appendix 1. Key points for Australia include:

- A disappointing 27<sup>th</sup> out of 33 developed countries on PIRLS reading test scores (Grade 4).
- The third-lowest rate of participation of children in ECEC for three years or more (15 per cent).
- Interestingly, the PIRLS test score for Australian children with three years or more of participation in ECEC was among the best in the world (15<sup>th</sup> out of 42 countries), but our national average was dragged down by the low level of long-term participation.
- Most countries in the top 20 of PIRLS results had more than 60 per cent of children participating in three years or more of pre-primary education. This may suggest a link between additional years of pre-primary education and later school performance.

<sup>28</sup> PIRLS 2011 *PIRLS 2011 International Results in Reading* \*(Mullis I, Martin M, Foy P and Drucker K eds.) Boston College 2012 <http://timssandpirls.bc.edu/>

<sup>29</sup> TIMMS 2011 *TIMMS 2011 International Results in Mathematics* (Mullin I, Martin M, Foy P and Arora A) Boston College 2012 <http://timssandpirls.bc.edu/>

The results are also replicated across maths and science scores as per the TIMMS results:

- Australia's mathematics results (TIMMS 2011) ranked a middling 19<sup>th</sup> of countries tested with an average test score (516) well below the average of the top 10 countries (573).
- With the exception of the Northern and Southern Ireland, the top-scoring countries had much higher levels of long-term participation (greater than three years) in pre-primary education than Australia.
- The report also showed Australian Year 4 students with more than three years of pre-primary education scored on average much higher (546) than those with one year or less (523) or no (505) pre-primary education.<sup>30</sup> The report concluded:

*Pre-primary education, in the form of preschool, kindergarten or an early childhood program, plays an important role in preparing children for primary school. Besides giving children an early start in school and life, pre-primary education provides an avenue for overcoming children's disadvantages and can help break the generational cycles of poverty and low achievement ... **Although attendance in pre-primary education differed dramatically from country to country, on average, the fourth grade students with at least three years of pre-primary education (43%), or even more than one year (33%), had higher achievement levels than their counterparts with one year or less of pre-primary education. Most notably, the 13 per cent of students on average, that did not attend preschool had much lower average mathematics achievement.***<sup>31</sup>

The Programme for International Student Assessment (PISA) testing of 15 year olds also demonstrates the benefit of pre-primary education. Key points include:

Across OECD countries, students who reported they had attended pre-primary school for more than one year scored 53 points higher in mathematics—the equivalent of more than one year of schooling—than students who had not attended pre-primary education.<sup>32</sup>

Students in PISA tests in 2012 were more likely than their counterparts in 2003 to have attended at least one year of pre-primary education; yet many of the students who reported they had not attended pre-primary school were from disadvantaged settings—the students who could benefit most from pre-primary education.<sup>33</sup>

The OECD report on PISA results concluded:

*Whether and for how long students are enrolled in pre-primary education is another important aspect of time resources invested in education. Many of the inequalities that exist within school systems are already present when students first enter formal schooling and persist as students progress through schooling (Entwisle, Alexander and Olson 1997<sup>34</sup>; Downey, Von Hippel and Broh 2004<sup>35</sup>; Mistry et al., 2010<sup>36</sup>). Because research shows that inequalities tend to grow when students are not attending school such as during long school breaks (Entwisle, Alexander and Olson, 1997; Downey, Von Hippel*

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<sup>30</sup> TIMMS 2011 p. 198

<sup>31</sup> TIMMS 2011 p. 12

<sup>32</sup> PISA 2012 Results in Focus p. 12

<sup>33</sup> PISA 2012 p. 24

<sup>34</sup> Entwisle, D., K. Alexander and L. Olson (1997), *Children, Schools and Inequality*, Westview Press, Boulder, Colorado.

<sup>35</sup> Downey, D., P. Von Hippel and B. Broh (2004), "Are Schools the Great Equalizer? Cognitive Inequality over the Summer Months and the School Year", *American Sociological Review*, Vol. 69, No. 5, pp. 613-635.

<sup>36</sup> Mistry, R.S., et al. (2010), "Family and Social Risk, and Parental Investments during the Early Childhood Years as Predictors of Low-Income Children's School Readiness Outcomes", *Early Childhood Research Quarterly*, Vol. 25, No. 4, pp. 432-449.

*and Broh, 2004), earlier entry into the school system may reduce inequalities in education—as long as participation in pre-primary schooling is universal and the learning opportunities across pre-primary schools are of high quality and relatively homogeneous. Earlier entry into pre-primary school prepares students better for entry into—and success in—formal schooling (Hart and Risley, 1995<sup>37</sup>; Heckman, 2000<sup>38</sup>; Chetty et al., 2011<sup>39</sup>).<sup>40</sup>*

Of the 29 OECD countries in the PISA database, Australia's percentage of children reporting more than one year of pre-primary education (51.7 per cent) was the fifth-lowest in the OECD. The four best-performing countries in the PISA tests (Korea, Japan, Switzerland, and the Netherlands) averaged 87 per cent participation in more than one year of pre-primary education.<sup>41</sup>

A worrying trend in Australia's PISA results is the increasing number of under-performing students. The range of mathematical literacy scores between the lowest and highest performing students (students who scored between the fifth and 95<sup>th</sup> percentiles) was wider for Australian students (315 score points) than the OECD average (301 score points). A wider range indicates there is a larger gap between the lowest and highest achieving students.<sup>42</sup> The percentage of Australian children scoring in the lowest two levels of mathematics proficiency has increased over time from 13 per cent in 2006, to 16 per cent in 2009, to 20 per cent in 2012, contributing to the overall decline in Australia's average PISA test score.<sup>43</sup>

Overall, these findings suggest high-quality universal ECEC from an early age (that is, from two years old) contributes to higher learning outcomes. It also confirms that if Australia wants to reverse what has been a long-term relative decline in our educational performance, investing in the early years is the place to start.

## **NAPLAN results and early learning**

A recent Melbourne Institute study has compared the results of 4,100 Year 3 Australian students on their NAPLAN tests and whether they had participated in early childhood education. Compared to children who did not attend preschool in 2004, average NAPLAN scores were 20 to 30 points higher among children who had attended some type of preschool program. The study also examined the level of qualifications of the child's pre-primary educator and found NAPLAN test scores were considerably higher for children taught by a teacher with a Diploma qualification or above.<sup>44</sup>

The authors concluded that: **“This is the first study to provide direct comparisons of the effect of the type of qualification held by the preschool teacher on later cognitive outcomes. These results confirm the importance of high-quality preschool programs for later cognitive outcomes.”**<sup>45</sup>

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<sup>37</sup> Hart, B. and T. Risley (1995), *Meaningful Differences in the Everyday Experiences of Young American Children*, Paul H. Brookes Publishing, Baltimore, Maryland.

<sup>38</sup> Heckman, J. (2000), “Policies to Foster Human Capital”, *Research in Economics*, Vol. 54, No. 1, pp. 3-56.

<sup>39</sup> Chetty, R., et al. (2011), “How Does Your Kindergarten Classroom Affect Your Earnings? Evidence from Project STAR”, *The Quarterly Journal of Economics*, Vol. 126, No. 4, pp. 1593-1660.

<sup>40</sup> PISA 2012. “What makes schools successful? Resources invested in education” chapter IV p. 116

<sup>41</sup> PISA 2012 Table IV 3.50

<sup>42</sup> ACER 2013 p. 7

<sup>43</sup> ACER 2103 PISA 2012: How Australia Measures up, ACER p. 23

<sup>44</sup> Warren D and Haisken-DeNew (2013) *Early Bird catches the Worm: The causal impact of pre-school participation and teacher qualifications on Year 3 National NAPLAN cognitive tests*, Melbourne Institute Working Paper 34/13 p. 17

<sup>45</sup> Warren & Haisken-DeNew (2013) p. 36

## Future opportunities to build the evidence base and measure outcomes

We are starting to see results from investment in quality ECEC but further research and evaluation is needed. The existing outcome measures reported in portfolio budget statements are important but there is an opportunity to build on data sets, such as the Australian Early Development Index (AEDI), to build a more comprehensive picture of how ECEC is contributing to children's learning and development. Other available datasets and research, such as E4Kids<sup>46</sup>, will also provide much-needed information about the impact of participation in a range of ECEC programs as well as the outcomes for children who do not attend. NAPLAN will also continue to be a valuable national data set.

In considering reform options, the Committee should consider options for enhancing the domestic evidence base in ECEC. This should include securing recurrent funding for the AEDI.

### Recurrent funding for the AEDI

**The AEDI is a full population census of children's health and development in their first year of formal full-time schooling. It provides a comprehensive map of early developmental outcomes across Australia. AEDI is currently only funded to 2015 through the federal government Department of Education. Ongoing and recurrent funding is needed to ensure the AEDI can be conducted every three years. Modest recurrent funding of AEDI (around \$28 million) would allow policy makers to evaluate the impact of policies by monitoring trends in early childhood development, plan cost-effective allocation of public resources, and would also facilitate high-quality research.**

## Conclusion

This section has outlined a rationale for government support for children's participation in *high-quality* ECEC. The rationale has two parts: Regulating to ensure ECEC is quality and meets minimum standards; and, investing to ensure children participate in high-quality ECEC so they receive the learning and development benefits. The evidence presented in this section supports increased government investment in the early years to ensure these objectives are realised over the next 10 years for all children, and particularly for vulnerable children. In considering reform options, key points to consider include:

- The NQF sets an evidence-based national minimum standard for ECEC. Government investment must support the full implementation of these minimum standards in order to gain return on investment.
- Investing in ECEC is a unique opportunity to make a high-yield investment in Australia's human capital and is more cost effective than investing in later years.

## Related recommendations

- 1 The overall level of government investment in ECEC should increase, commensurate with the enormous potential social and economic benefits of investing in early childhood.
- 2 Government investment should be redesigned to ensure it is directed where it will have the greatest possible impact: Workforce participation, particularly among mothers of young children; and learning and development outcomes for children, particularly for low-income families and vulnerable children.
- 3 The National Quality Framework must be supported and maintained.
- 5 A new streamlined payment should be implemented to provide universal and targeted assistance.
- 10 An outcomes framework should be developed for ECEC in Australia to continue to build the evidence base.

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<sup>46</sup> From Melbourne Graduate School of Education ([http://education.unimelb.edu.au/news\\_and\\_activites/projects/E4Kids](http://education.unimelb.edu.au/news_and_activites/projects/E4Kids))

## 4. Governments should reduce barriers to workforce participation by supporting participation in ECEC

This section addresses the following TOR for the Immediate Future of the Childcare Sector in Australia inquiry:

- How the child care sector can be strengthened in the short term to boost Australia's productivity and workplace participation for parents (d)

### Key points:

- Australia's tax and transfer system reduces incentives to work for many parents of young children—particularly women.
- Incentives are lowest for low- and middle-income households.
- Lower incentives constrain workforce participation. There is likely to be a significant number of women who are not in the labour force, but who would choose to participate if it were not for the reduced incentives imposed by the tax system and ECEC costs.
- There is evidence that better government support for ECEC is an effective lever for partially restoring these incentives, removing labour market distortions, and increasing participation.
- Such alternative policy settings, if well-designed, are likely to generate significant social and economic benefits for the Australian community, at limited or even no cost to government.

### Overview

One of the major reasons for government involvement in early learning and care is the role it plays in supporting labour market participation among mothers of young children. Paid employment generates a range of positive impacts for individuals and families, including higher income, greater savings, and the enjoyment and fulfilment derived from work. At the economy-wide level, participation is an important driver of economic growth and activity. Of course, participation is not an end in itself—lifting participation is desirable to the extent that this reflects the choices and preferences of the Australian community, and results in better and more efficient outcomes.

This section outlines the rationale for changing the current system of child care assistance with the aim of increasing labour force participation.

### What incentives do secondary income earners have to undertake or increase paid work?

Australia's tax and transfer system creates a number of distortions that work against participation in paid work. This is particularly acute for secondary income earners. At the most basic level, paid work is taxed, while work in the home, leisure, and other activities are not. Beyond this, the means-tested structure of family payments (for example, the Family Tax Benefit and others) and the Low Income Tax Offset mean secondary earners choosing to work or to work more can face high effective marginal tax rates and effective tax rates—well above the highest statutory marginal rate.

Net child care costs—taking into account government payments, which are also means-tested—can be added to taxes and transfers to gain a clearer picture of the financial returns from secondary income earners returning to work or increasing work hours.

Modelling undertaken by NATSEM for the Grattan Institute in 2011 and presented in the Issues Paper demonstrates both the **absolute** magnitude of the impact of the tax system and net child care costs on work incentives for secondary income earners, as well as the **relative** incentives faced by families in different circumstances.

This previously published analysis presents results as the percentage of second earner income lost or retained, for each additional hour worked. Another way to view these incentives is to consider how much a family stands to gain from the secondary earner working an extra day. This approach may be helpful for two reasons: It is likely that people tend to choose their work in terms of number of days rather than number of hours per week; and it is likely that people take into account the overall impact on their family's income when they make employment decisions.

Table 1 uses NATSEM's data to show the percentage increase in a household's net income from the secondary earner working an extra day, net of tax/transfer and child care costs, where the household has two children in child care:

**Table 1<sup>47</sup>: Percentage increase in household net income from secondary earner working an extra day**

Days worked by secondary income earner	Primary earner earns \$40,000 p.a. Secondary earner earns equivalent of \$40,000 p.a.	\$70,000/ \$70,000	\$100,000/ \$100,000	\$150,000/ \$150,000
1	6.4%	9.5%	10.6%	16.7%
2	4.6%	5.0%	10.0%	12.4%
3	3.1%	5.5%	8.0%	10.1%
4	1.6%	2.1%	7.8%	8.5%
5	2.1%	2.3%	4.4%	6.1%

Table 1 illustrates a number of points:

- **Absolute incentives are very low in some circumstances.** For a family at the \$40,000 per earner income level, the financial incentive for a secondary earner to move from three to four working days per week is an increase in household income of around 2 per cent. This small benefit comes at the cost of reduced leisure time and time spent with children.
- **Incentives differ significantly by income.** For a secondary earner at the \$150,000 level, the financial incentive to work an extra day never drops below 6 per cent; for secondary earners at the \$40,000 or \$70,000 levels, the incentive drops as low as 2 per cent (1.6 per cent and 2.1 per cent respectively).

**Under Australia's system of tax, transfer, and child care costs and payments, incentives to work or work more days are limited for many parents of young children.**

**Incentives are lower at lower income levels.**

<sup>47</sup> Calculations assume a 7 hour work day; using a 7.5 hour work day has no material impact on the magnitude or patterns of incentives across different days worked or income levels.

## Are incentives influencing participation?

The previous section argues that incentives are low and unequal for secondary income earners. The next question to consider is: To what extent do these incentives affect actual workforce participation?

One way to approach this question is to compare Australia's workforce participation with other countries with different policy settings.

OECD data shows Australia has relatively lower female workforce participation than comparable countries. For example, in 2009:

- Australia's rate of employment among women with a child under the age of 15 was 61.9 per cent. This ranked 27<sup>th</sup> among 38 OECD countries in the OECD, and was below the OECD average of 66.2 per cent.<sup>48</sup>
- Australia's rate of employment among women whose youngest child was aged three to five years was 48.7 per cent. This ranked 36<sup>th</sup> out of 39 countries, and was below the OECD average of 63.9 per cent.<sup>49</sup>

Some of these differences could be explained simply by different preferences across countries—that is, Australian mothers may place a lower value on paid work relative to child care, compared to other countries.

However, there is evidence that many Australian women outside the labour force would prefer to be in paid employment. Australian Bureau of Statistics data indicates that in September 2012 there were 259,200 people not in the labour force because they were caring for children, who wanted to work but were not actively looking to work. Ninety-four per cent of these were women.<sup>50</sup> It's also notable that in 2009 there was a large gap between Australia's maternal employment rate for women whose youngest child was preschool aged (three to five years; 48.7 per cent), and those whose youngest child was school aged (six to 14 years; 73.9 per cent). This gap of 25.2 percentage points was the second largest in the OECD, and more than triple the OECD average of 8.1 per cent.<sup>51</sup>

It therefore seems reasonable to assume that, to a significant extent, these participation rates are influenced by tax, transfer, and child care policy settings.

Another way to consider this question is through econometric studies of the relationships between government policies and female labour force participation across different jurisdictions with different policy regimes. Analysis of OECD countries between 1979 and 2002 showed incentives and disincentives determined by tax policies, as well as other factors such as unemployment, education and child care policies, had a substantial impact on women's labour force participation.<sup>52</sup> It is likely such policies have a powerful impact on participation in Australia.

**Australia's relatively low rates of workforce participation among women and mothers, compared to other countries, suggests policy settings are influencing women's employment choices and constraining participation.**

**A significant number of women are not in the labour force who would otherwise choose to if it were not for the reduced incentives imposed by the tax system and child care costs.**

<sup>48</sup> OECD (2012), OECD Family Database, OECD, Paris ([www.oecd.org/social/family/database](http://www.oecd.org/social/family/database)) – LMF1.2.A

<sup>49</sup> OECD (2012), OECD Family Database, OECD, Paris ([www.oecd.org/social/family/database](http://www.oecd.org/social/family/database)) – LMF1.2.B

<sup>50</sup> ABS 6220.0 Persons Not in the Labour Force Sep 2012

<sup>51</sup> OECD (2012), OECD Family Database, OECD, Paris ([www.oecd.org/social/family/database](http://www.oecd.org/social/family/database)) – LMF1.2.B

<sup>52</sup> Schwarz, P. (2012) 'Tax disincentives and female employment in OECD countries', *Journal of European Social Policy*. 22(17).



## What impact can government action on ECEC have on participation?

The previous section argued there are links between Australia's workforce participation, and limited financial incentives to enter paid work. The next question is: Can government action on ECEC improve workforce participation? We can address this question by considering the previous experience in Australia and other jurisdictions of changing support for child care; and econometric analysis of the relationship between child care prices and labour force supply.

In Canada, changes to ECEC policy have led to increased workforce participation among women. The Quebec government introduced universal low-fee early learning progressively from 1997 to 2000. From 1996 to 2011, labour force participation of mothers increased from 4 percentage points below the Canadian national average, to above the national average.<sup>53</sup>

There is anecdotal evidence that changes to Australian child care payments over the last two decades—including the introduction and subsequent changes to CCR and CCB—have helped support increased in women's workforce participation. Further detailed analysis of the impacts of these changes on workforce participation would be valuable in helping to understand potential impacts of future changes, and associated benefits.

There is also international and Australian evidence that labour supply of women is responsive to changes in net child care price—that is, the price of child care after taking into account government payments and policies. In the Australian context, NATSEM modelled the impact of child care prices and labour supply among partnered women with children under the age of five.<sup>54</sup> They found that a 1 per cent change in net child care price (after subsidies) leads to an inverse change in the employment rate of 0.06 per cent. The reduction in employment rate is also more pronounced for lower income earners—the change in the employment rate resulting from a 1 per cent change in net child care price is estimated as 0.05 per cent for household income above the median, but 0.07 per cent for households below the median.

Finally, as noted above, analysis of female labour force participation across the OECD has found a relationship between government child care spending and workforce participation—on average, increasing government child care spending by 1 per cent is associated with a 6 per cent increase in female labour force participation.<sup>55</sup>

**Previous experiences of changes to child care policies internationally and in Australia, as well as econometric analysis of net child care prices and labour supply, suggest child care policy settings can be effective in influencing workforce participation.**

**Child care payments may be an effective lever for reducing or removing existing labour market distortions created by the tax and transfer system, and increasing workforce participation.**

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<sup>53</sup> Fortin P, Godbent L, St-Cerny S 2012 Impact of the Quebec's Universal Low Fee Childcare Program on female labour force participation, domestic income and government budgets, University of Sherbrooke Working Paper 2012/02, Montreal, Canada

<sup>54</sup> 'Gong, X. & Breunig, R. (2012) 'Estimating net child care price elasticities of partnered women with pre-school children using a discrete structural labour supply-child care model', Treasury Working Paper <<http://treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2012/child%20care%20price/downloads/PDF/Child-Care-Working-Paper.ashx>>

<sup>55</sup> Schwarz, P. (2012) 'Tax disincentives and female employment in OECD countries', *Journal of European Social Policy*. 22(17).

## What are the potential benefits of additional government support to increase work incentives in Australia?

Previous sections argued that current policy settings create significantly reduced incentives to undertake paid work; that this is driving Australia's relatively low workforce participation; and that government action on ECEC could improve this situation. The final question is: What are the potential benefits of taking this kind of action? The principal benefit is that removing or reducing existing disincentives to paid work is likely to improve community wellbeing by promoting more efficient choices.

The measurable economic benefits of this are likely to be significant. The Grattan Institute estimates GDP would be \$25 billion higher if women's participation rates were 6 per cent higher—although it should be noted this measure doesn't take into account changes in non-market activity such as leisure and home child care.

In addition, well-designed policy changes have the potential to generate positive financial returns for government. Analysis of the Quebec early learning reforms discussed above found the program generated net financial benefits to government, including through increased tax revenue and reduced spending on benefits.<sup>56</sup> Of a total scheme cost to government of around C\$1.6 billion in 2008, total returns to government that year were estimated as C\$2.4 billion (C\$2.1B billion in increased revenue, and C\$280 million in reduced spending). This is in addition to economic returns of around 1.7 per cent of Quebec's domestic income.

While the specific financial costs and benefits to governments in Australia would depend on the design of any changes, the Quebec example illustrates revenue-neutral or revenue-positive options may be possible.

### Conclusion

This section has outlined a rationale for changes to the current system of government payments with the aim of increasing workforce participation. Specific design features of such changes will require detailed analysis—in particular, it will be necessary to understand exactly where and to what extent reduced financial incentives to work are having the most effect; and the amounts and mechanisms of additional support that will have the greatest impact. Key points for consideration include:

- **Scope to improve incentives and increase participation seems to be greatest among low- and middle-income households.** This suggests additional support should be targeted to these groups rather than very high income earners.
- **Depending on the design of the new settings, even changes that involve significant additional government investment may be revenue neutral, while generating significant economic benefits.** This suggests there are opportunities for significant investment, even in a revenue-constrained environment.

### Related recommendations

- 1 The overall level of government investment in ECEC should increase, commensurate with the enormous potential social and economic benefits of investing in early childhood.
- 2 Government investment should be redesigned to ensure it is directed where it will have the greatest possible impact: Workforce participation, particularly among mothers of young children; and learning and development outcomes for children, particularly for low-income families and vulnerable children.
- 5 A new streamlined payment should be implemented to provide universal and targeted assistance.

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<sup>56</sup> Fortin P, Godbent L, St-Cerny S 2012 Impact of the Quebec's Universal Low Fee Childcare Program on female labour force participation, domestic income and government budgets, University of Sherbrooke Working Paper 2012/02, Montreal, Canada

## 5. Governments should support vulnerable children to participate in ECEC

This section addresses the following TOR for the Immediate Future of the Childcare Sector in Australia inquiry:

- Any related matters (e). It is vital that ECEC services suand funding mechanisms are designed to support vulnerable children to participate.

This section addresses the following TOR for the Delivery of Quality and Affordable ECEC Inquiry:

- Any related matters (e). *It is vital that ECEC services suand funding mechanisms are designed to support vulnerable children to participate.*

### Key points:

- Many children who would most benefit from access to ECEC do not attend for a range of economic and social reasons. The current system fails many children with additional needs.
- Payment mechanisms and funding programs need to ensure ECEC is accessible and affordable for vulnerable children and families, *and* that services are available to adequately support these children when they do attend.
- Targeted support services and funding programs are an effective way to deliver additional support to children and families that need it, but programs are inconsistent across jurisdictions with varying eligibility criteria, reporting processes, and planning requirements.
- ECEC is a unique universal entry point to services for children and families. Early learning centres could play a much bigger role in providing integrated services including family support and health services.
- State and Federal funding agreements should require health, education, and social welfare services (universal or targeted) to be provided from ECEC locations where possible (for example, immunisations, allied health support such as speech pathology, audiology, special education services, child health checks, or counselling).
- The Inclusion Support Program should be maintained and enhanced as many children who truly require additional support miss out. Inclusion support workers in early learning centres have an important role supporting educators, children, and families where there are inclusion support needs. However, funding is insufficient in terms of rates and hours and is limited in terms of the numbers of children who are eligible.

### Overview

Goodstart was founded to change the way early childhood programs are delivered in Australia and to ensure vulnerable children and families can benefit from quality ECEC. The founding members were compelled to this vision by the convergence of evidence from economists, early childhood researchers, and neuroscientists, convincingly demonstrating the value of investing early to achieve social and economic gains for individuals as well as society as a whole. Goodstart's view aligns with that posed by the National Scientific Council on the Developing Child (2007): Child development is a foundation for community and economic development because capable children become the foundation of a prosperous and sustainable society. Creating the right

conditions for early childhood development is likely to be more effective and less costly than addressing problems at a later age.

**For the purposes of this paper, Goodstart has used the term ‘vulnerable children’ or ‘children experiencing vulnerability’ inter-changeably with ‘children with additional needs’, the term used by the Productivity Commission.**

### **Defining children who are vulnerable**

For Goodstart, children who are vulnerable (or who have additional needs) are those children who are at risk of not achieving learning, development, and wellbeing outcomes by school entry that enable them to be fully participating citizens. The cohorts of children Goodstart considers vulnerable generally align with the COAG framework and include children:

- from low socio-economic backgrounds
- with a disability or condition
- in the child protection system (for example, known to child protection or in out of home care)
- from culturally and linguistically diverse backgrounds (in particular newly arrived via refugee or humanitarian programs), and
- who are Aboriginal or Torres Strait Islander<sup>57</sup>.

### **Potential role of ECEC in addressing vulnerability—key research evidence**

Australia has seen increases in poor outcomes for children and young people in a number of key areas, and a widening of inequalities in outcomes between groups of children.<sup>58</sup> There is clear evidence from Australia and overseas that the first five years of a child’s life have a profound impact on their future health, development, learning, and wellbeing. A poor start in life can lead to learning, behavioural, or emotional problems that have a compounding and ongoing impact. Access to quality ECEC can help turn this around.

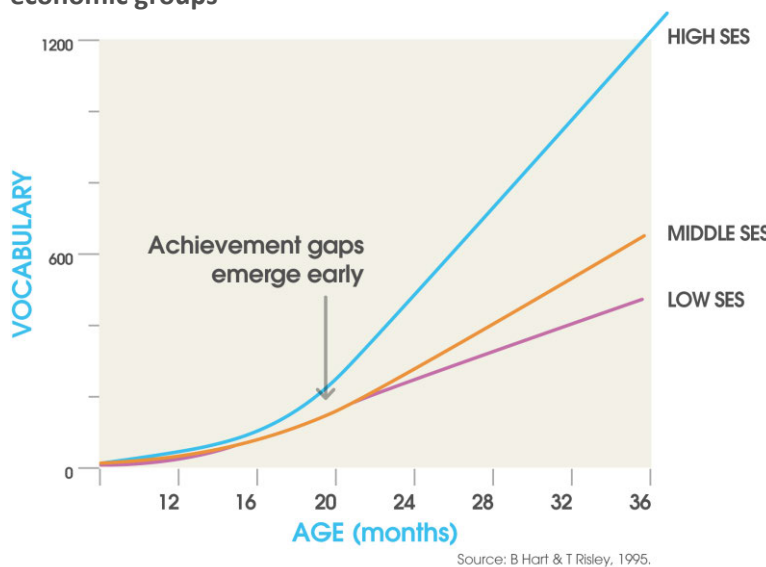
This section highlights the huge potential to use quality ECEC to address vulnerability and deliver benefits for individual children, and also to society as a whole. Results from both the Australian Early Development Index (AEDI) at school entry as well as NAPLAN scores at Year 9 demonstrate the early learning and development ‘gap’ between socio-economic groups. The achievement gaps emerge as early as age two and are still evident in later education as outlined in Figure 5 over the page.

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<sup>57</sup> COAG, (2009), National Framework for Protecting Australia’s Children 2009-2020

<sup>58</sup> COAG (2009) Investing in the Early Years – A National Early Childhood Development Strategy

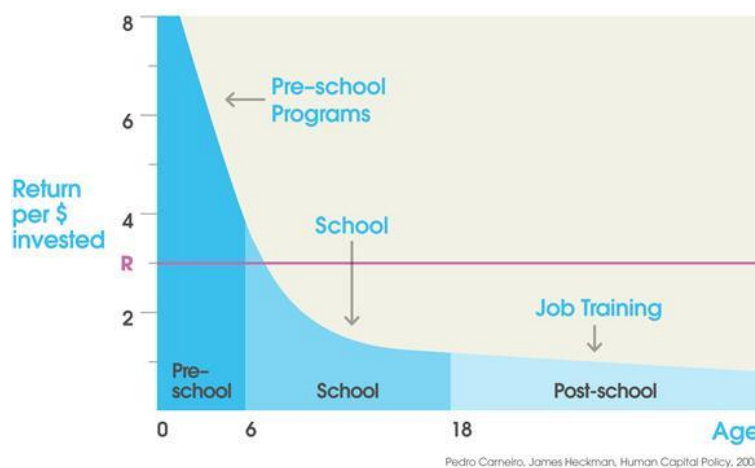
**Figure 5: Differences in vocabulary acquisition for children birth to three years in three socio-economic groups**



The key point demonstrated by Figure 5 is that by age two, and certainly by age three, the gap in learning, development and wellbeing for the most vulnerable children is present and persists throughout formal schooling. These gaps have a lasting impact on education levels, work opportunities, mental and physical health, and life outcomes<sup>59</sup>.

There is a wealth of evidence to suggest investment in children’s education and development in the early years is likely to save money in the long term<sup>60</sup>. Nobel Laureate James Heckman states: “Investing in disadvantaged young children is a rare public policy with no equity-efficiency trade-off. It reduces the inequality associated with the accident of birth and at the same time raises the productivity of society at large.”<sup>61</sup> He has demonstrated the highest rates of return on investment is in the early years, with investments providing returns of 10 per cent per annum as outlined in Figure 6 below.

**Figure 6: Return per dollar invested in children and young people aged birth to 18+ years**



<sup>59</sup> McCain et al, 2007

<sup>60</sup> Anning and Ball, 2008

<sup>61</sup> Heckman, J. J., Grunewald, R., & Reynolds, A. J. (2006). The dollars and cents of investing early: cost-benefit analysis in early care and education. *Zero to Three*, 26(6), 10-17.

Barnett and Frede (2010), in a meta-analysis of 123 studies investigating the effects of preschool education on children's outcomes, found preschool education positively affects learning and development<sup>62</sup>. These findings are consistent with the United Kingdom study on the *Effective Provision of Pre-School and Primary Education*, which also demonstrated positive benefits accrue over longer durations of attendance. They found an earlier start (under age three years) related to significantly better intellectual development by the commencement of school, especially for language outcomes.<sup>63</sup>

Barnett and Frede (2010) concluded the returns of public investments in high-quality preschool for disadvantaged children are greater than the costs. They also noted that to increase parental earnings it was important to provide preschool with long day care options to offer substantial support to working families or those returning to work. For communities where children and families experience significant disadvantage, they concluded universal early learning programs needed to be provided in conjunction with programs that address social and emotional development and behaviour, rather than just academic achievement. For a review of the literature and research, please see Appendix 2.

## The Goodstart experience in supporting children with additional needs

Half of Goodstart's centres are located in lower socio-economic areas (SEIFA 1-5<sup>64</sup>) and over 30 per cent of children attending a Goodstart centre live in families who are in receipt the maximum rate of the Child Care Benefit (CCB)<sup>65</sup>. Building on the commitment to ensuring all children have the opportunity to access quality early learning opportunities, Goodstart has invested in its people to build their capacity and capability to better support children and families. The investment in specific social inclusion programs in financial year 2012/13 was \$780, 000 and in 2013/14 the budget is \$1.2 million.

This section provides the context and examples of Goodstart's experiences in supporting children and families with additional needs.

Goodstart has developed a Social Inclusion Strategy that outlines its commitment to increasing the proportion of children whose learning, development, and wellbeing outcomes at school entry enable them to be a fully participating citizen. Goodstart has four pillars of social inclusion focused work. These are:

- **Universal**—improving the universal base to provide high-quality, inclusive early learning programs in all centres
- **Targeted**—selected centres receive more targeted support for children and families experiencing vulnerability
- **Advocacy**—partnering with others to collaborate on advocacy for vulnerable children and families
- **Beyond Goodstart's existing centres**—developing new service models in partnership with others in our existing centres and in new services in locations experiencing disadvantage.

Goodstart's planning includes a combination of universal delivery of high-quality early childhood services and a targeted approach to address specific needs, because we recognise all children and families across society can

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<sup>62</sup> Barnett, W. S and Frede, E (2010). The Promise of Pre-school: Why we need early education for all. *American Educator*, Spring, 21-29

<sup>63</sup> Sylva, K., Melhuish, E., Sammons, P., Siraj-Blatchford, I. and Taggart, B. (2010). *Early Childhood Matters: Evidence from the Effective Provision of Pre-school and Primary Education*. London: Routledge.

<sup>64</sup> SEIFA – The Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) 2006

<sup>65</sup> Maximum rate of CCB = eligible for 100% CCB or more.

<sup>66</sup> Goodstart internal data 2012/13

be vulnerable to poor outcomes. Targeted approaches are needed because there are some communities where children and their families experience significant, multi-factorial disadvantage.

This approach underpins Goodstart's three-year plan to establish more services with a specific focus on generating social benefits. The development and operation of these services will involve:

- intensive community engagement
- program offerings that go beyond a standard long day care model to reflect specific community circumstances
- additional resources in the form of central office support (potentially), and
- financial cross-subsidisation.

**Goodstart's unique social purpose and size means we have the capacity to cross-subsidise services to support vulnerable families. This cross-subsidisation is realised both by supporting centres in disadvantaged communities that are not viable as a stand-alone service, and also by dedicating resources to deliver targeted support services.**

The six main themes that have been identified to progress the social inclusion strategy are:

1. Building strong family partnerships
2. Being connected to local community services and having effective referral pathways
3. Employing multi-disciplinary approaches
4. Enhancing health through better nutrition
5. Respecting and celebrating diversity and committing to Australia's reconciliation journey
6. Improving organisational systems

### **Partnerships in early childhood: Supporting children and families in practice**

Increasing numbers of vulnerable children and families are attending Goodstart services. We have identified our educators need additional support to meet the diverse and complex needs of these families, including supporting children in their social and emotional development. Partnerships in Early Childhood (PIEC), a program developed by The Benevolent Society, is currently being implemented in two Goodstart centres. The PIEC model is based on research showing high-quality interventions focusing on the secure relationships between early learning educators and children are linked to improved outcomes for children at high risk of poor outcomes. The PIEC theory of change is that building staff capacity and encouraging them to think about children's behaviour in terms of social and emotional need will lead to staff being more predictable and emotionally available to children in their care. PIEC staff work with the early learning centre staff and parents to build their understanding of, and sensitivity to, children's behavioral cues that might signal emotional distress (often called 'antisocial behaviour'). Together, they develop strategies for supporting the children's developmental needs. This program is funded by the Department of Social Services in selected services in New South Wales and is funded by Goodstart in South Australia.

## Integrated service delivery

ECEC services can impact outcomes for individual children but cannot on their own address cycles of disadvantage for families or the communities in which they live. The whole service system must be supported to work together to approach community-level disadvantage and achieve sustainable change. This requires significant investment and change at policy, service system, and service delivery levels to provide truly integrated services for children and families. In considering opportunities to capitalise on the Goodstart network to promote integrated service delivery, points for consideration include:

- ECEC services should not be viewed separately to the wider service system that supports children and families.
- Payment mechanisms and funding programs need to ensure ECEC is accessible and affordable for vulnerable children and families *and* that appropriate services are available to adequately support these children when they do attend.
- The system must be child focused to ensure continuity of access and participation.
- The system should be strengthened by the provision of universal, secondary, and more intensive services from places already accessed by children and families.
- Inclusion support should be provided to all children who require it on the basis of assessment by the relevant professionals, and should continue while changes in circumstances are assessed (for example, room transitions, change of centre).

### Integrated service delivery: A case study

Loganlea is a Goodstart centre situated in a low-SEIFA community in south-east Queensland. Many families in the area have limited income or are on income support; it is not uncommon for families to rely on public transport. Successive governments and service providers have been making significant investments to improve outcomes for families and children in Loganlea. Of primary concern for the centre staff at Loganlea was that families were not accessing services provided within the local area as much as they could be. Anecdotally, the reasons for not accessing services included lack of transport, stigma in seeking support, and not knowing services such as integrated health services, early intervention programs, and ancillary health programs were available to them.

To address this, Goodstart began discussions with allied health services and other programs running in the area to build collaborative partnerships with the view of providing a 'soft entrance' point for the community via the Goodstart centre. This collaboration has taken the better part of 12 months to actualise, however the centre now provides a room for local Queensland Health professionals to provide health checks for children. This trial program involves Queensland Child Health Nurses attending the centre one day per week, allowing local families to come along for free health checks and discussions with the nurses about any health or parenting issues. Goodstart hopes to explore opportunities to expand this service to possibly include ancillary health professionals that families need to access from time to time (for example, occupational therapists, counselling staff, and speech pathologists).

Families do not need to be enrolled in the centre to utilise the health service. The result is the service is capturing more local families than just those who have children enrolled at the centre. The health services are now reaching many more families than a service based in a traditional clinic environment. In addition, the centre is building relationships with the local Early Years Centre that works with Indigenous children and families in the community. This is an opportunity to build links with these families and also reduce any duplication of effort or resources. It is hoped these relationships over time will act as a referral pathway for



families accessing the Early Years Centre who may be in need of early childhood education and care programs, and vice versa.

Further relationships are being established with community providers that offer food and nutrition programs for young families. Providing healthy meals on a very low income can be challenging. The Goodstart centres in the local area have provided venues and transport so families can access education about nutrition and affordable healthy meal options for children and families. The response to these outreach programs has been encouraging.

Goodstart Loganlea will continue to build on existing relationships and form new relationships to facilitate more integrated service delivery options for the local community.

### Inclusion & Professional Support Program—A provider perspective

Goodstart supports the Inclusion and Professional Support Program (IPSP). It is an effective mechanism to support ECEC services to include children with additional needs and ongoing high-support needs in early learning programs. To build on the positive benefits the IPSP brings to children’s inclusion in ECEC, the program should be enhanced in the following specific ways:

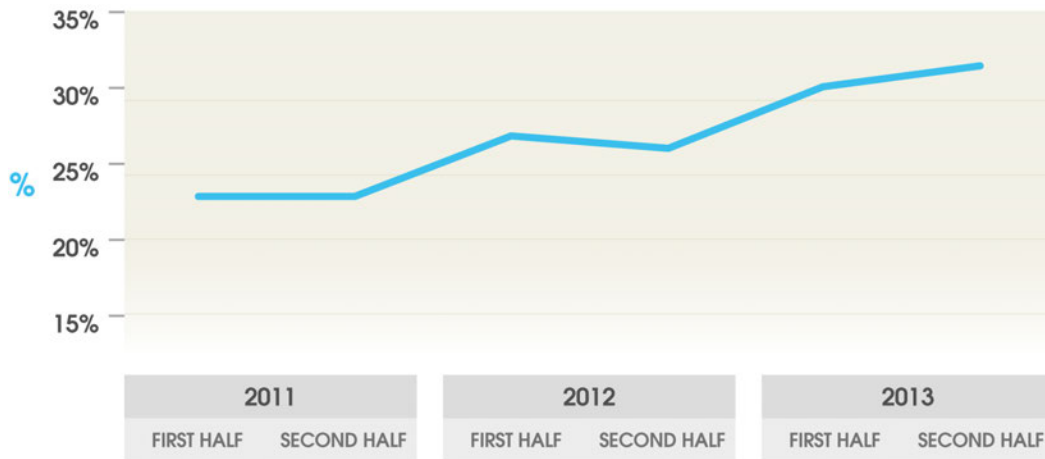
- **Inclusion support should be available to all children who need additional support to participate.** There are many children without a diagnosis who require inclusion support to maximise their learning and development and maintain quality for others who attend care at the same time.
- **Inclusion Support Subsidy (ISS) should be provided for *all hours* that a child attends a service to maintain quality for *all* children and to support families’ workforce participation.** Funding for a five-hour session does not allow parents of children with additional needs work a normal day.
- **The ISS rate needs to be increased.** The current rate does not cover the labour cost for the additional worker and the gap is increasing, making it less affordable for centres to offer inclusion support. Ideally, the Subsidy should cover the cost of employing more highly qualified educators or staff with specialist skills to provide inclusion support to children with the highest support needs and build sustainable inclusive practice within services. Figure 7 below demonstrates the increasing difference between the average wage rate paid by Goodstart and the ISS reimbursement rate. Table 2 below demonstrates the significant difference between the average hourly wage rate of qualified staff. This difference makes it unviable to engage more qualified specialist staff to deliver the IPSP.

**Table 2: Hourly rate of qualified educators vs ISS rate offered**

Hourly Rate & Educator Qualification				
ISS Rate	Cert III Average	Diploma Average	Advanced Diploma Average	ECT Average
\$16.92	\$23.31 (+\$6.39)	\$26.88 (+\$9.96)	\$29.59 (+\$12.64)	\$31.43 (+\$14.51)

Source: Goodstart 2014

**Figure 7: Percentage difference between average wage rate paid by Goodstart and Government ISS reimbursement rate**



Source: Goodstart, 2013.

- **Mechanisms to enable services to access immediate inclusion support while waiting for approvals are required** (for example, Centre Director approval for a defined period similar to approvals enabled under the Special Child Care Benefit). This is important for a child's positive and timely transition into a service and to meet families' workforce participation and family commitments.
- **There should be greater flexibility within the ISP guidelines and funding arrangements to enable services to put additional support in place where it can be demonstrated this is required.** For example, in circumstances where a lack of inclusion support would leave educators without the support they need to provide a quality learning environment for *all* children.
- **Ensure children who are receiving ISS receive continuity of care.** Support should be maintained as the child transitions through ECEC rooms and services. Current restrictions for universal access preschool hours and transitioning between rooms or changing centres should be removed.

### Specific child care payments for children with additional needs

Goodstart is conducting internal analysis about the strengths and weaknesses of the administration of following payments designed to support children with additional needs to access ECEC:

- Special Child Care Benefit (SCCB)
- Grandparent Child Care Benefit (GCCB)
- Jobs, Education and Training Child Care Fee Assistance (JET)

These payments are effective in supporting very vulnerable children access free or almost-free early learning and they should be maintained. However, there are administrative inefficiencies that could be addressed to both improve the efficiency of the system, and the accessibility to support for families. We have also identified significant inconsistencies across jurisdictions in supporting children at risk.

### Conclusion

This section has outlined the rationale for investment in ECEC that supports vulnerable children and families and has also noted some areas where the system needs to be improved. In considering reform options, key points to consider include:

- **There is a need to address the range of affordability and other barriers that are preventing vulnerable children from benefiting from quality ECEC.** Inconsistent and time-limited funding

programs are contributing to a system that is failing many vulnerable children. However, investment in ECEC for vulnerable children is very cost effective. This suggests additional investment should be targeted to these groups.

- **There is an opportunity to use quality ECEC (and long day care settings in particular) as a universal entry point to address vulnerabilities across the whole of society.** There are opportunities to leverage existing investment and programs to reach more children and families

### Related recommendations

- 1 The overall level of government investment in ECEC should increase, commensurate with the enormous potential social and economic benefits of investing in early childhood.
- 2 Government investment should be redesigned to ensure it is directed where it will have the greatest possible impact: Workforce participation, particularly among mothers of young children; and learning and development outcomes for children, particularly for low-income families and vulnerable children.
- 3 The National Quality Framework must be supported and maintained.
- 5 A new streamlined payment should be implemented to provide universal and targeted assistance.
- 6 Targeted assistance and programs to support children and families should be enhanced.
  - Government should ensure equity of access: Assistance must ensure all children who are vulnerable or disadvantaged are able to access ECEC, just like all other children. Children living in remote areas or with additional needs must have appropriate access to high-quality ECEC, including where this would not otherwise be delivered by the market.
    - Ensuring equity of access may involve the use of operational or supply-side funding that reflects additional costs of delivery or provides support to address the range of non-cost barriers that prevent participation among these groups, including funding that facilitates integrated service delivery with family support services and health services.

The existing Inclusion and Professional Support Program should be maintained, enhanced, and expanded. Specific design features include:

- Inclusion support should be available to all children who need additional support to participate: Reform the guidelines so eligibility for additional support is based on an assessment by a relevant profession and funding is available for all children who are eligible.
- Fund all hours of participation: Funding should be provided for all hours that a child attends a service to support inclusion, maintain quality for other children, and support parents' workforce participation.
- Increase the Inclusion Support Subsidy hourly rate: The hourly rate of the subsidy should meet the cost of employing high-quality support workers.
- Ensure continuity of care: Support should be maintained as a child transitions through ECEC; current restrictions should be removed.

## 6. Regulation of ECEC

This section addresses the following TOR for the Immediate Future of the child care sector Inquiry:

- Administrative burden, including the impact of the introduction of the NQF (b)
- The current regulatory environment and impacts on children, educators and service operators (c)..

This section addresses the following TOR for the Delivery of Quality and Affordable ECEC Inquiry:

- Outcomes for children in ECEC services including quality regulation (a-ii).
- Progress in the implementation of the NQF (b)
- Impacts of the announced amendments to the NQF (d)

### Key points:

- Goodstart supports the NQF and NQS and has made significant investments to implement the reforms.
- Goodstart supports the existing regulations as they relate to the provision of quality ECEC. Requirements for ratios, qualifications, documenting children's learning and educational programs, and Quality Improvement Plans should not be changed.
- To date, the NQF has fallen short in terms of achieving a truly national system of regulation and there several areas where administrative and operational regulation and the enforcement of regulation could be streamlined and harmonised to achieve efficiencies.
- A lack of capacity by regulators appears to be delaying the roll-out of the Ratings and Assessment visits.
- Goodstart would welcome the opportunity to work with the Government on opportunities to streamline administrative and operational regulation, including regulation beyond the NQF.

## National Quality Framework (NQF)

The Productivity Commission noted in the *2011 Workforce Report* that market pressures alone are unlikely to lead to the provision of quality early childhood development services. Consequently, an appropriate regulatory system aimed at quality improvement and assurance is required.

The NQF provides this system. Developed based on extensive consultation with the sector and informed by a comprehensive evidence base, the NQF will provide consistent national standards for early learning and care and also provides a pathway for Australia to catch up with the rest of the world.<sup>67 68</sup>

The NQF was designed to deliver micro-economic reform by moving from; the former eight different inconsistent quality standards, multiple regulators with significant overlap, no consistent learning framework,

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<sup>67</sup> Economist Intelligence Unit 2012 op cit p. 30

<sup>68</sup> COAG 2008

and a lack of transparent information for parents, to a new single national quality standard that is applied consistently, overseen by a national regulator to achieve minimum staff qualifications and child-to-staff ratios, a consistent evidence-based learning framework, and an easy-to-understand quality ratings system for parents.

The NQF is important reform as previously ratios and staff qualifications varied from state to state, with some states significantly below what evidence indicates is quality care. Governments needed to ensure the substantial investments made in ECEC were delivering a minimum level of quality care to support productivity and participation, and also needed to achieve efficiencies by streamlining regulation. In recognition that the NQF represents fundamental reform for the sector, a phased approach was adopted to bring in the changes over time and give the sector time to plan for and meet the new requirements.

## Implementing the NQF

Achieving the micro-economic reform objectives of the NQF has proven challenging. To date, the NQF has not achieved a truly national system of regulation and there several areas where regulation and the enforcement of regulation should be streamlined and harmonised.

Goodstart has invested substantial organisational resources to prepare for and implement the NQF and recognises we are just two years into a long journey of transformation of the sector. The national minimum standards for qualifications and ratios are crucial elements of the reform and Goodstart has worked hard to meet our commitments under the NQS, and is planning for the next tranche of changes in 2016.

## Implementing the NQF—delivering quality ECEC

Goodstart supports the existing regulatory requirements as they relate to quality provision of ECEC. In particular, requirements for qualifications, ratios, documenting children’s learning, educational programming, and Quality Improvement Plans should be maintained. As outlined in Section 4, there is a robust evidence base for the requirements in the NQF.

## Cost of implementing the NQF

Although identified as “costly” from the standard cost model (SCM) used in the ACECQA *Report on the National Quality Framework & Regulatory Burden*, documenting educational programs and assessing children’s learning are essential to increasing the quality of education and care for children accessing services. Consistent with the SCM assessment, Goodstart considers “these activities generate at least an equivalent increase in the quality of education and care”<sup>69</sup>. Thus Goodstart does not consider the investment associated with documenting children’s learning, maintaining educational programs, and Quality Improvement Plans to be examples of regulatory burden and ‘red tape’. They are an integral part of delivering quality early learning and care. Removing these requirements would not generate substantial labour savings as staff would devote their time to other activities. Further, these processes are providing the information parents are seeking about their children’s learning and they provide an opportunity to open dialogue about children’s learning and development with parents. Documenting children’s learning not only provides a window for parents into the child’s learning, it also provides a window for parents and the community into staff and service quality. Examples of documenting children’s learning and maintaining educational programs are at Appendix 3.

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<sup>69</sup> ACECQA. (2013) Report on the National Quality Framework and Regulatory Burden: Part 1. Research Findings Overview

Goodstart believes that, as with any change, it takes time for individuals to become competent with new processes and requirements, such as documenting children's learning. As individuals become competent, and processes are streamlined, we fully expect the administrative burden associated with the NQF will reduce. Any changes or reduction in these requirements would have a negative impact on children's learning and development and would not generate sufficient savings to prevent the rising costs facing the sector.

In terms of qualifications and ratios, Section 4 outlined the evidence demonstrating the benefits of quality ECEC and also provided a summary of the evidence that supports age-appropriate ratios and staff qualifications. The requirements in the NQF were informed by this evidence. Analysis provided in Section 11 demonstrates labour costs will continue to increase above CPI regardless of the NQF ratio and qualification requirements. Delaying or removing the NQF requirements is not the answer to making the sector sustainable. Without the NQF, costs will continue to increase, child care will continue to be less affordable, while the benefits delivered by quality early learning will be lost and the risk of harm to children due to poor-quality care will be increased. Additional investment is needed to realise minimum-quality standards for early learning and care while maintaining affordability for families, and this is an investment worth making. Further, any variation to the NQF would compromise the Government's regulatory objective of ensuring a consistent minimum standard in ECEC.

### **Assessment and ratings process**

It appears there may be a capacity issue that is resulting in delaying the roll out of assessment and ratings visits. From June 2012, state-based regulatory authorities commenced assessing and rating ECEC services against the NQS. There were approximately 13,676 approved ECEC services operating across Australia and listed on the National Quality Agenda IT System on 30 September 2013. At that time, 3,441 services across Australia had participated in the assessment process and received a rating against the NQS, meaning there were approximately a further 10,235 services still to receive a visit from the regulatory authority. ACECQA provided advice to the sector that all services would be scheduled for an assessment visit from 2012 to 2015. However, based on the above participation figures, it appears some state-based regulators are well off track to meet the proposed 2015 milestone. The assessment and ratings process is vital to improving the quality of services and to providing information to parents, consideration needs to be given to how to ensure the 2015 milestone can be met by some regulators.

### **Implementing the NQF—administrative efficiencies**

Many of the efficiencies that were envisaged, particularly in relation to administrative regulation, have not been realised. To a large extent Goodstart still has to contend with multiple regulatory bodies, each with different approaches and interpretations.

As a national provider with daily interactions with each of the regulatory bodies, Goodstart has identified there are opportunities to generate efficiencies where the existing regulatory requirements relate to genuine administrative activities and operational provisions of the regulations.

Goodstart would like to see much greater consistency between the states and territories on the implementation of the NQF. While some jurisdictions have adopted a practical, risk-based approach to regulation that seeks to build partnerships with providers, others have adopted a rigid, 'letter of the law' approach that adds to costs and to uncertainty as decisions are often pending.

As recommended by the Productivity Commission's 2011 Workforce Inquiry, it would also be valuable to consider benchmarking and process reviews between jurisdictions to ensure state regulators are adopting best practice and consistent approaches to the implementation of the NQF<sup>70</sup>.

## Other legislation and regulation

Goodstart's interactions with other regulatory requirements, including planning and zoning laws, have also identified several specific areas that would benefit from reform to remove duplication and inconsistencies.

The following is a summary of issues in the ECEC regulatory environment that would benefit from further reform to streamline and harmonise regulations. Resolving these issues would deliver efficiencies for the sector and for governments. Full details are explained in Appendix 4.

- ECT recognition and registration—inconsistency between states/territories
- Working With Children Checks and suitability requirements—inconsistency between states/territories
- Educator requirements under child protection legislation—inconsistency between states/territories
- School-age care qualifications and requirements—inconsistency between states/territories
- Inconsistency in application of regulations for different service types
- Certified Supervisor requirements are onerous and inefficient
- Staffing waivers—inconsistency and high administrative costs
- Service and Temporary waivers—inconsistency and inefficiencies
- Upgrade and Capital Works waivers—lack of flexibility
- Facilities, including expansions—lack of flexibility and inconsistency in application by regulators and complex interactions with other facilities, legislation building codes, and state-based legislation

Addressing some of these issues would generate economic efficiencies and may also address some of the workforce and supply challenges facing the sector.

## Conclusion

This section has outlined the rationale for maintaining the NQF as it relates to regulating for quality, particularly ratios, qualifications, documenting educational programs, assessing children's learning, and Quality Improvement Plans. Without the NQF, costs and fees for ECEC will still continue to increase but the benefits delivered by quality early learning will be lost and the risk of harm to children from poor-quality care will be increased. Additional investment is needed to realise national minimum quality standards for ECEC while maintaining affordability for families. This is an investment worth making. Goodstart has identified a range of areas where regulation could be improved in order to improve flexibility and efficiency.

## Related recommendations

- 3 The National Quality Framework must be supported and maintained.
- 9 Operational and administrative regulation should be streamlined—see Appendix 4 for list of opportunities.

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<sup>70</sup> PC (2011), Recommendation 3.3

## 7. Meeting the needs of families

This section addresses the following TOR for the Delivery of Quality and Affordable ECEC Inquiry:

- Parent's experiences of the outcomes of the NQF (c)

### Key points:

- Families that can afford long day care have two core criteria when looking for early learning:
  - High-quality staff who connect with both parents and children
  - The centre's proximity to home or work location.
- Cost and affordability are issues, and can be barriers to some child care options.
- Parents factor in the overall value attributed to investing in their children's early years as well as the actual cost of child care.
- Parents value quality early learning and care but describe it using different terminology from early learning professionals and academics.

### Overview

It is important to understand parents' decision-making processes when considering returning to work and accessing ECEC. The purpose of this section is to provide information about how families view ECEC and the factors they consider when making decisions about ECEC. Independent qualitative and quantitative market research carried out for Goodstart Early Learning for the past three years shows very consistent results regarding parents' child care needs and their service and care expectations<sup>71</sup>.

### The realisation that child care is needed

For most parents, especially for first-time mothers, the realisation that they need care for their child from outside of their family is highly emotive. A family's overriding objective is to search for the best possible care for their children. What defines 'best possible care' differs from family to family, governed by personal expectations, as well as rational and functional criteria such as staff qualifications, location, and cost.

There are different reasons for families needing child care, the most common being work-related: Women returning to work or a change in work circumstances. Some families select ECEC to help build their children's social skills and self-confidence, while others choose it specifically for early learning and school preparation. Some working families may prefer to leave their children with family members, but have to consider child care when this option is not available. Regardless of reason, there is little difference in the research and decision-making processes that families undertake when looking for the best possible care for their children.

Families create rational and emotional 'lists' to ensure all needs are met. Rational criteria identify areas including staff qualifications, price, location, and the centre's environment. Emotionally, parents need to know their children are protected, safe, educated, and cared for. For these reasons, the emotional criteria are heavily based on the quality of the staff.

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<sup>71</sup> Goodstart internal market research, (2012-2013)



## Choosing which ECEC service to use

The decision to return to work creates a wealth of emotions and new responsibilities for working parents. When looking at ECEC options and making decisions, the wellbeing, development, and welfare of their young children are dominant factors in parents' minds. There are strong beliefs, with over 70 per cent of families agreeing that high-quality ECEC contributes to the learning and development of children. Agreement increases with income, and is high for males and families with two to three children.<sup>72</sup>

Our research indicates that choosing ECEC is based on an individual's well-defined list of criteria, personal standards, and expectations. Whatever the requirements, the quality of staff is the key determinant. There is no room for compromise in parents' minds and they generally will not accept lower quality care that is closer to home or is more accessible.

Parents also consider three category types:

- Long Day Care
- Family Day Care
- Community Child Care

Preference and choice is dependent on the individual family. Most have pre-set ideas of what each type offer in terms of qualified and professional staff, cost, flexibility, and regulations. Parents know that professional, qualified staff and high-quality ECEC positively contributes to the wellbeing, learning, and development of their children. While cost and affordability are issues, parents also factor in the overall value attributed to investing in their children's early years as well as the actual cost of child care.

This is not to say families are able to easily afford child care, or can pay for the amount of child care they need to support their working week. As discussed in Section 4, the impact of the withdrawal of family tax benefits and the eroding value of child care support can have a negative an impact on how much families, particularly working women, can afford. This will worsen as government subsidies continue to lose their value, leading to increased out-of-pocket costs for parents. This effect is compounded where there is more than one child under school age requiring ECEC. In fact, a nationally representative survey of families with children aged birth to five years found the main barrier to using long day care is that the cost of the service is too high. The next main barriers were lack of availability, low staff-to-child ratios, and lack of individual service, all of which were consistent across research waves.<sup>73</sup>

Parents' high-quality service and care expectations are currently out of balance with their ability to pay for the actual cost of that service and care. This is felt across all income levels and regions, however low- and middle-income families, and regions with a lack of supply, feel the impact of these expectations more due to the eroding value of government subsidies.

The NQF and Assessment and Ratings Framework recognise that parents want qualified staff providing early learning and care to their children, and are also seeking information about the quality of care and early learning provided. These reforms are still underway, but they are delivering what parents are seeking in ECEC, even if parents don't directly identify with the terms and language used in the NQF and NQS.

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<sup>72</sup> Goodstart internal market research (2013)

<sup>73</sup> Goodstart brand tracking (February 2012) (Two waves: n=1017 and n=1028)

In summary, the list of criteria and child care choice has two overriding non-negotiable requirements, regardless of circumstances:

- High-quality staff who connect with both parents and children
- The centre’s proximity to home or work location.<sup>74</sup>

### What does ‘high quality’ in a staff member look like to a parent?

‘Quality’ is relative to each individual person and family. But all parents have subjective and objective requirements and expectations of all staff members they and their children connect with at a centre. Figure 8 outlines the combination of skills that encompass qualifications and personality, which combined deliver the quality parents seek.

Figure 8: Families’ perceptions of ‘quality’ staff in ECEC



### Parents value quality early learning

Goodstart Early Learning commissioned a Customer Value Management (CVM)<sup>75</sup> study in June 2013 in order to better understand what families value in a long day care service. The purpose of this section is to present analysis that demonstrates parents value quality early learning.

The drivers of value for families were statistically modelled and the results clearly showed a ranked hierarchy of the aspects of service that are most important to families, and captured family needs and expectations.

- ‘Centre staff’ is the service aspect parents rank as the most important. They are able to clearly articulate what excellent centre staff performance looks like.
- ‘Everyday routines’ is the second-most-valued service. All routines are totally dependent upon the quality of centre staff since they are responsible for delivering the centre’s everyday routines—the development and execution of all of them.

<sup>74</sup> Goodstart internal market research (2013)

<sup>75</sup> Goodstart CVM Research (2013). *CVM is an internationally recognised, proven methodology for measuring customers’ perceptions of value in a service, defining value for money in terms of ‘is it worth what I’m paying?’, ‘what do I value’ and ‘what am I prepared to trade off, what are the non-negotiables?’ A statistically significant data sample of 886 families was collected for a qualitative survey, with an equal spread of families across States and child age groups.*

- ‘Learning and development’ is not clearly understood as a standalone aspect of ECEC and this is a challenge the sector has been grappling with for some time. However, in practice it is part and parcel of everyday routines that involve the weekly and daily programming of activities, and is clearly dependent upon the quality of staff.
- Families do not differentiate between ‘having staff and educators who genuinely care and prioritise my child’s wellbeing, know my child’s personality and who my child enjoys being with’ (a centre staff value driver) and ‘appropriately encouraging my child’s social skills and relationships with other children’ (a learning and development value driver). They expect the two to be delivered in a seamless manner and, when done well, is highly valued by parents.

## Conclusion

This section has provided evidence about the factors that families consider when looking to access ECEC. Goodstart research concludes parents want high-quality staff, ECEC that is close to home or work, and is affordable. In considering reform options key points to consider include:

- High-quality ECEC is intrinsically linked to high-quality staff in parents’ minds. This suggests that reforms must support ECEC workforce development.
- Cost is a barrier to some families considering long day care as a viable option.

## Related recommendations

- 3 The National Quality Framework must be supported and maintained.
- 4 Government investment must ensure the long-term affordability, accessibility, and sustainability of high-quality ECEC for Australian families.

### Quality early learning, delivered through process and structural quality as outlined in the NQF in parent's words

"The carers were fantastic in their role in my children's lives. I have had three children attend and each year the learning structure has improved, to the extent that my youngest child, starting prep in 2014, knows and recognises the alphabet and most of the golden words and first 100 words. This has given her a great start in school."

"Both (children) were frightened, unsociable, lacking in milestones (when they started at Goodstart). With the help of this centre and the guidance not only given to the children, but to us, they helped us nurture the boys. With this guidance and the wonderful approach to the kids from ALL staff my grandsons have bloomed and are now outgoing, sociable boys."

"This happened because the staff care for each child, guide the kids without taking over, understand the level each child is at and encourage the kids to be and do their best. Each member of staff has a unique quality to bring to each child at the centre. They show a great positive approach to their work as well as the kids, understanding and knowledge of children's needs and learning abilities, bring educational abilities without the children feeling like they are in a strict schooling environment. Each staff member has boundaries for the kids to work within and not feel they are in a trapped environment. The safety of the kids is paramount and equal to the kids enjoy this learning environment."

"It (the centre) was our preference. Although it took us almost 12 months to secure a place we have been highly impressed by the professionalism of staff, the high quality of their programs, how well and how quickly our child settled into the centre and recently has transitioned into a toddlers room. We are hoping our son will be able to continue with the centre until he needs to go to school."

*And when parents don't find the quality they are looking for:*

"I understand that the staffing ratio is at what is legally required however what is legally required and actually needs is to different things and I feel that there needs to be more supervision to provide the quality of care needed for the amount of money you pay for your child to be 'cared' for."

"The preschool program needs a lot of work. There is no great emphasis on school readiness and there is hardly any communication between educators and parents. I think more varied activities need to be provided and the educators need to be more involved."

"You might want to exceed the minimum child to carer ratio rather than meet it. That will result in more focus and more learning and increased quality - More learning activities, programs and two-way talking with the children."

"The children are free to do whatever they want and have no planned structure for meal times, playtime etc. I don't think this will transition in to the school and kindy routines."

"Some staff in leadership positions do not seem to have the experience, enthusiasm or communication skills to be in the position they are in."

## 8. Increasing costs and variability in costs of delivery

This section addresses the following TOR for the Immediate Future of the child care sector Inquiry:

- Cost and availability for parents over the short term, including the effectiveness of the current government rebates (a).

This section addresses the following TOR for the Delivery of Quality and Affordable ECEC Inquiry:

- Other related matters (e). *The cost of delivering quality ECEC has been increase and will continue to increase leading to higher out-of-pocket expenses for parents.*

### Key points:

- Costs are increasing and will continue to increase above inflation due to rising labour costs, rising rents, and other expenses, including utilities.
- Costs of delivery vary significantly by location but also vary due to a range of other factors.
- Rent costs, which comprise about 20 per cent of costs per attendance, also vary significantly by location and are increasing.
- Labour costs are increasing, in part due to quality improvements being delivered under the NQF but also due to other factors that will continue to increase. The cost of delivering nursery places is much higher than for other places, and this may be contributing to a lack of supply across the market.

### Goodstart costs of delivery

Goodstart has undertaken some high-level analysis of costs of delivery across our 641 centres which we provided to the Productivity Commission with some insight into the supply side of the ECEC sector, and which is summarised in this chapter for the Committee. It should be carefully noted that this analysis is indicative only, and while Goodstart operates around 10 per cent of Australia's long day care services, our services' costs may not be representative of those of the sector. We are working with the Commission on providing additional data to further support the Commission's work.

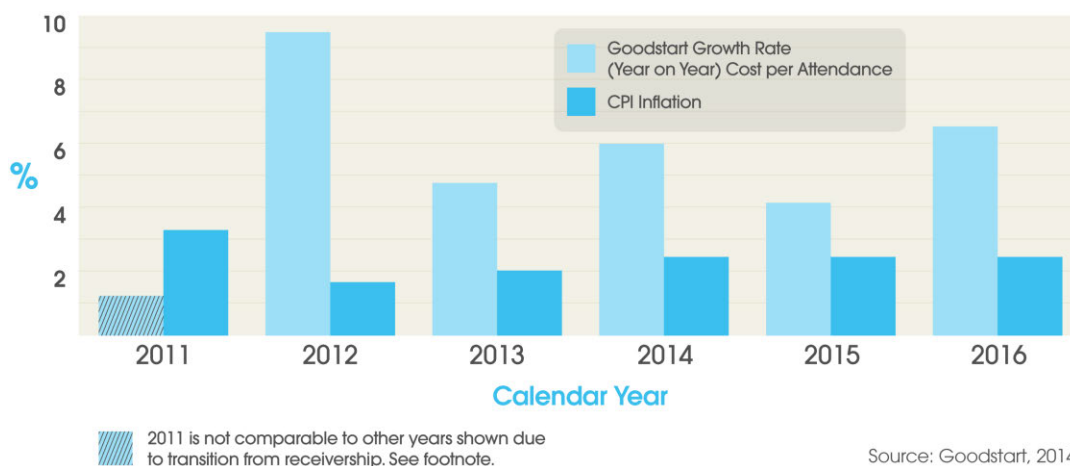
### Costs of delivery are increasing above inflation

Figure 8 shows the annual growth in Goodstart's actual cost of delivery per long day care child attendance from 2011 to 2013, and forecast from 2014 to 2016<sup>76</sup>.

### Figure 8: Annual growth in actual cost of delivery per long day care child attendance<sup>77</sup>

<sup>76</sup> The low growth in cost of delivery per attendance in 2011 is an anomaly, reflecting changes in Goodstart's operating model during transition from receivership from 2010 to 2011. It is not comparable to other years shown.

<sup>77</sup> ABS (2013). Consumer Price Index, Australia. 'Tables 1 & 2. CPI: All groups, Index Numbers and Percentage Changes', time series spreadsheet, cat. no. 6401.0



This shows costs of delivery are increasing above CPI by calendar year. Particularly high cost increases took place in 2012 and are expected again in 2014 and 2016, in part due to NQF-related qualification requirements and educator-to-child ratio changes; however costs are also increasing ahead of CPI in other years.

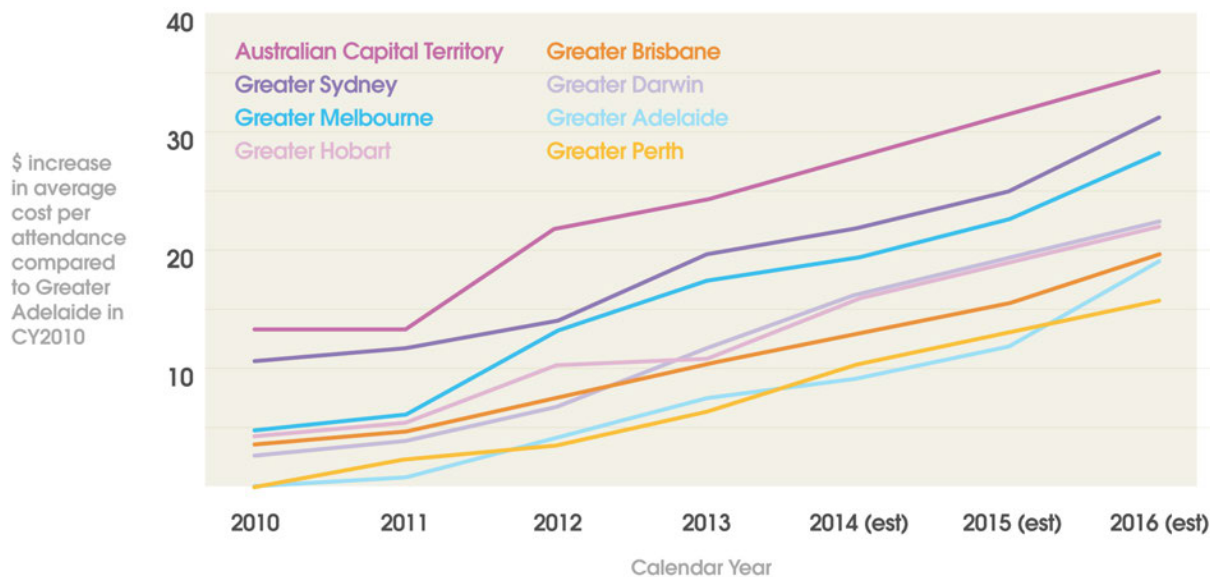
The major components of Goodstart’s costs categories are labour (around 70 per cent of cost per attendance) and rent and facility costs (around 20 per cent of cost per attendance). These proportions have remained stable over the period of time covered in Figure 8.

### Costs of delivery can vary significantly

Goodstart’s costs of delivery vary to some degree across different centres and different locations. For example, costs per attendance are somewhat higher at smaller centres (fewer than 70 licenced places) than at larger centres (more than 100 licenced places); and slightly higher in major cities than in regional areas. Figure 9 shows that on average, costs of delivery are significantly higher in Canberra, Sydney and Melbourne than in other capital cities<sup>78</sup>. In 2016, we forecast the average cost of delivery per child attendance to be around \$20 higher in Canberra than in Perth.

**Figure 9: Average cost per attendance by capital city**

<sup>78</sup> ABS (2011) 1270.0.55.001. ASGS: Volume 1 – Main structure and Greater Capital City Statistical Areas.

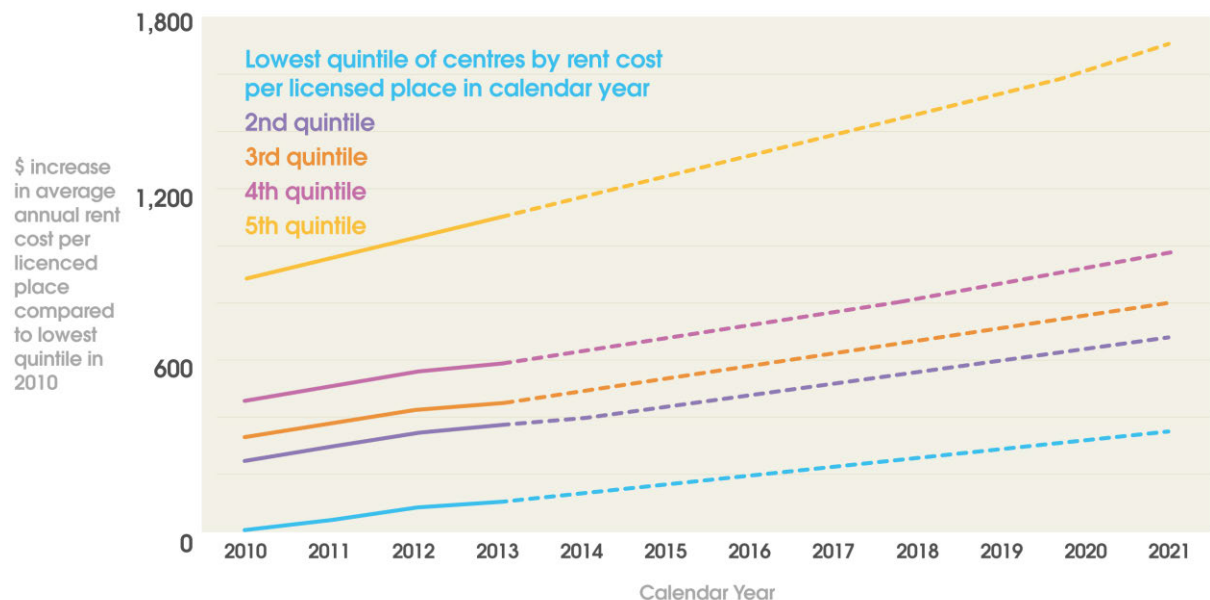


Source: Goodstart, 2014.

While considering these comparisons in aggregate, it should be noted that costs are driven by a wide range of factors beyond location, including centre configuration, building type, and management factors. Further detailed analysis is required to isolate the variation in costs driven by location.

Rent costs also vary significantly in different locations. Figure 10 shows average rent costs per licenced place, broken into quintiles. In 2013, the difference between the average rent cost in the lowest quintile compared to the highest quintile is around \$1,000 per licenced place. Rent costs in the highest rent cost quintile are also increasing faster than at other centres.

Figure 10: Average rent costs per licenced place



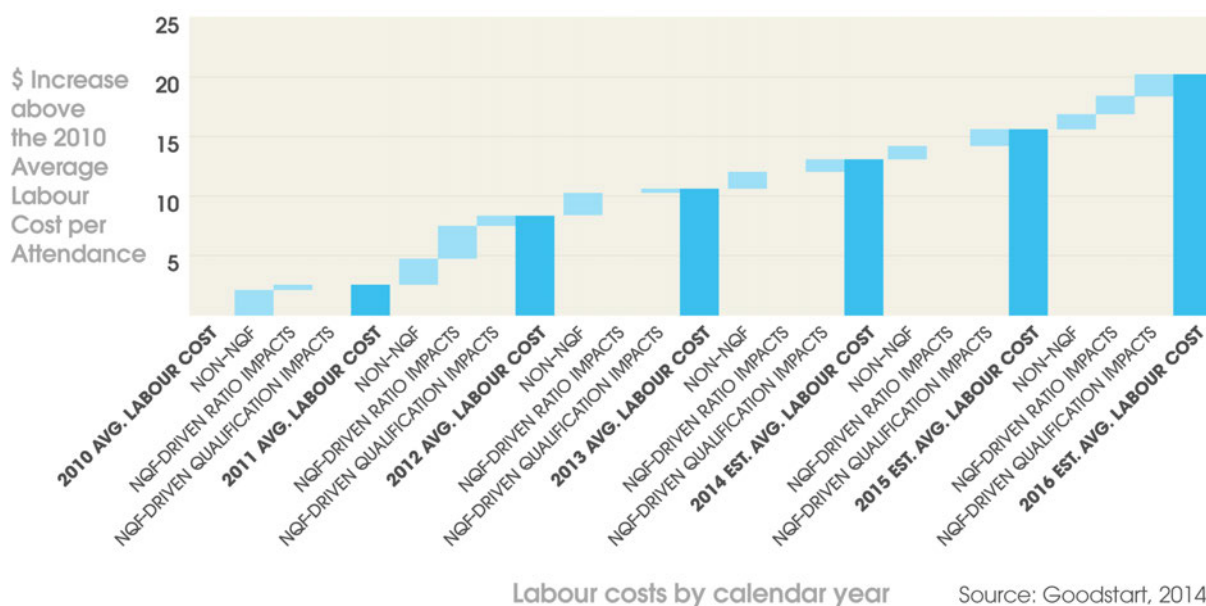
Source: Goodstart, 2014.

## Labour costs are increasing. The NQF is contributing to this, but is *not* the only factor driving labour cost increases

While the gradual introduction of new minimum educator-to-child ratios and qualification requirements under the NQF has contributed to increases in labour costs, it is not the only factor. Increases in wages driven by the national minimum wage and Enterprise Bargaining Agreements, as well as management decisions regarding use of labour, also drive labour cost increases (Figure 11).

Figure 11 shows labour costs will continue to increase even without the impacts of qualifications or ratios. Goodstart has also already made a significant investment in upskilling our staff. Further discussion about implementing the NQF is provided in Section 7.

**Figure 11: Labour cost increases**



## Cost of delivering nursery places (birth to two years) is significantly higher than for older children

Younger children require more one-on-one early learning and care compared to older children. This is reflected in lower staff-to-child ratios, with 1:4 set as the national minimum standard for nursery rooms. This necessarily involves greater labour costs in delivering these services.

However, early learning and care providers have typically not passed on these costs as higher fees. Historically, to constrain growth in fees providers across the sector have generally cross-subsidised services for younger children with revenue from older children. This cross-subsidisation is built into parents' expectations of fees, limiting providers' capacity to raise fees in line with costs.

Before 2011, costs of delivery for younger children were artificially low, as a result of historical educator-to-child ratios that were inadequate for younger children.<sup>79</sup> A series of ratio changes, including those introduced

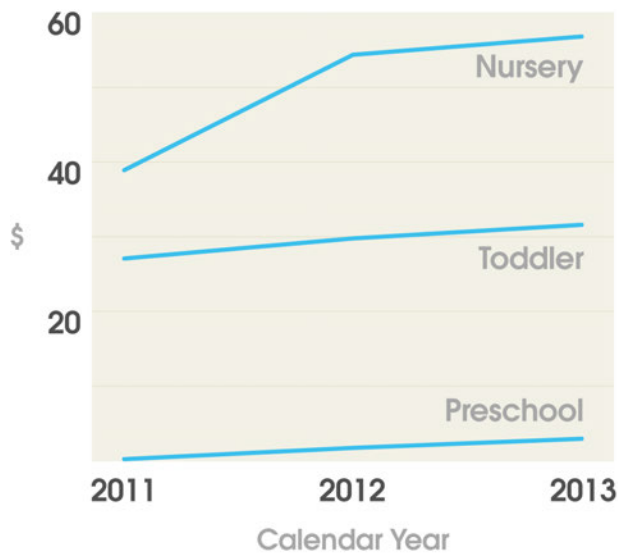
<sup>79</sup> For example, the Expert Advisory Panel on Quality Early Childhood Education and Child Care, appointed by the Council of Australian Governments in 2008 to inform COAG's early childhood reform agenda, recommended educator-to-child ratios of 1:3 for children under 2 years. At that time, ratios for children under 2 years were 1:5 in NSW, South Australia, Tasmania and ACT.



through the NQF, has achieved a minimum quality standard for ratios in nursery places and this has seen a universal cost increase in the delivery of nursery places relative to places for other children.

**Error! Reference source not found.** shows the magnitude of the difference in Goodstart’s costs of delivery for children of different ages. In 2013, the cost of a delivering a nursery attendance was around \$30 more than for a toddler attendance, and more than \$50 greater than for a preschool attendance. There are consistent reports across the ECEC sector of unmet demand for places for children aged birth to two years. One potential explanation for this is the higher cost of delivering these places.

**Figure 12: Cost per attendance for nursery places**



Source: Goodstart, 2014.

## Conclusion

It is important to consider the complexity in analysing cost structures in ECEC. There are many variable factors that must be taken into account and caution should be exercised in making broad assumptions about the sector.

Goodstart looks forward to working further with the Commission over the coming months to unpack some of the complexities associated with the costs of delivering ECEC. An understanding of these complexities will be critical in designing effective and sustainable reform options.

This section has provided a high-level analysis of the costs of delivering ECEC and has demonstrated that, for the Goodstart network, costs are increasing above inflation due to rising labour costs, rising rents, and other expenses, and this is expected to continue.

## Related recommendations

- 1 The overall level of government investment in ECEC should increase, commensurate with the enormous potential social and economic benefits of investing in early childhood.
- 3 The National Quality Framework must be supported and maintained.
- 4 Government investment must ensure the long-term affordability, accessibility, and sustainability of high-quality ECEC for Australian families.

## 9. Affordability and government assistance for families

This section addresses the following TOR for the Immediate Future of the child care sector Inquiry:

- Cost and availability for parents over the short term, including the effectiveness of the current government rebates (a).

This section addresses the following TOR for the Delivery of Quality and Affordable ECEC Inquiry:

- Other regulated matters (e) *Child care subsidies are not keeping pace with the growing costs of delivering ECEC leading to higher out-of-pocket expenses for families.*

### Key points:

- Child care subsidies are not keeping pace with the growing costs of delivering ECEC, leading to increased out-of-pocket costs for families.
- Affordability is already a challenge for families, and the combination of rising costs and eroding payments will mean the situation will get much worse over the next few years.
- CPI is not a suitable method of indexation of ECEC costs or government payments, as it does not reflect increases in the costs of delivering ECEC.
- Providing child care payments as a percentage of fees paid is the most efficient and administratively simple method to set an ECEC payment, and helps ensure that payments maintain value over time.

### Overview

Measures to increase child care affordability introduced by successive governments have been successful in reducing the out-of-pocket costs for families. In the previous section we provided some analysis that demonstrated the costs of delivering ECEC are increasing and are forecast to continue to increase.

The purpose of this section is to provide an analysis of the design of the two primary child care payments and to consider the merits of possible alternatives. The key measures are the means-tested CCB and non-means-tested CCR. While there are positive features of both of these payments, they are both losing their value over time as costs and fees increase.

The new universal payment recommended by Goodstart and outlined in Section 2 is informed by this analysis and also by Goodstart's experience in managing accounts for 61,000 families. We would be pleased to provide the Committee with further information about how this option could work as well as provide information about how existing child care payments work in practice, including interactions with government ICT systems.

### Why affordability matters

**A key objective of Australian governments' current range of ECEC policies is to improve or maintain affordability. This applies both to child care, where the stated program objective of child care fee assistance is to "assist low-income families with the cost of child care"; and to preschool, where the National Partnership Agreement on Universal Access to Early Childhood Education aims to support participation in "affordable, quality early childhood education program(s)".**

Affordability can be a difficult concept to define, as families and individuals may have different views on what costs are affordable or not depending on their choices and preferences. One useful definition, which has been previously used in the previous iteration of the Universal Access National Partnership Agreement, is that costs should not present a barrier to participation in early learning. In this sense, affordability matters because it may stop children from participating in the early learning they need; or because it may stop parents from undertaking paid work.

There is evidence affordability is a major concern in relation to participation, and that it is getting worse. For example, in 2011-12, children from low-income families were under-represented in approved child care services, making up 25.6 per cent of the community but just 20.4 per cent of participating children.<sup>80</sup>

## Child Care Benefit (CCB)

Families on low incomes are most likely to be sensitive to child care costs and the progressive nature of CCB is good policy. The key problems with the design of CCB are:

- The rate of CCB has a determined value (the rate), which is linked to income, not child care fees.
- The value of CCB has been eroding because the income thresholds and the rates have both been indexed to CPI.

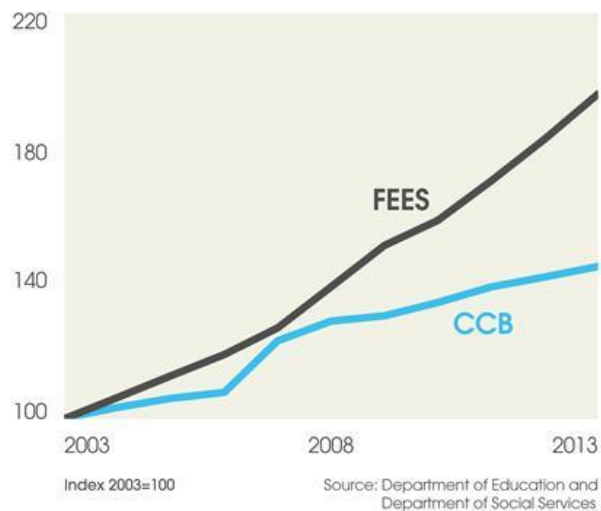
CPI is inadequate to keep up with both the cost of ECEC (which has been rising by around 4 per cent more than CPI) or average wages (which have been rising by around 1.9 per cent more than CPI). This impacts both the **income thresholds** and the **rates** for CCB. This means fewer and fewer families are eligible for CCB, and those that are eligible are receiving proportionally less assistance, leading to higher out-of-pocket costs.

- **Income thresholds:** With the income thresholds moving with CPI rather than movement in wages, eligibility for CCB has been moving further away from average earnings each year. In 2004-5, a family on 70 per cent of average full-time weekly earnings received full CCB. By 2013-14, the income cut off for CCB had fallen to just 55 per cent of average full-time weekly earnings, and by 2019 will fall below 50 per cent.
- **Rates:** The maximum rate of CCB is also indexed to CPI and each year reflects a lesser percentage of an average child care fee as shown in the graph over the page.

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<sup>80</sup> SCRGSP (Steering Committee for the Review of Government Service Provision) 2014, *Report on Government Services 2014*, Productivity Commission, Canberra, Table 3A.13

**Figure 13: Average long day care fees vs maximum rate of CCB**



The decline in the value of the CCB affects families with a combined income less of than \$150,000 and particularly those on low incomes who do not meet the Work/Training/Study test for the CCR, and therefore can only claim CCB.

### Child Care Rebate (CCR)

The fee-based approach for CCR (covering 50 per cent of out-of-pocket costs up to \$7,500) has many advantages. It accommodates differences in costs and fees across different child care markets, is administratively simple, and is easy for parents and families to understand. This approach is also responsive and flexible as payments hold their value to families in response to changing costs and fees. The primary problem with CCR is that indexation of the cap has been frozen at \$7,500 since 2011<sup>81</sup>.

The original freeze in 2011 impacted 5 per cent of families using child care. At the time, the Government indicated these were primarily high-income families using expensive child care. This is unlikely to be the case now and the cap is having negative impacts on many working families using average-cost child care. Due to the 15 per cent withholding applied to CCR, the effective cap is actually much less than \$7,500 per child per year, so the cap is reached much sooner.

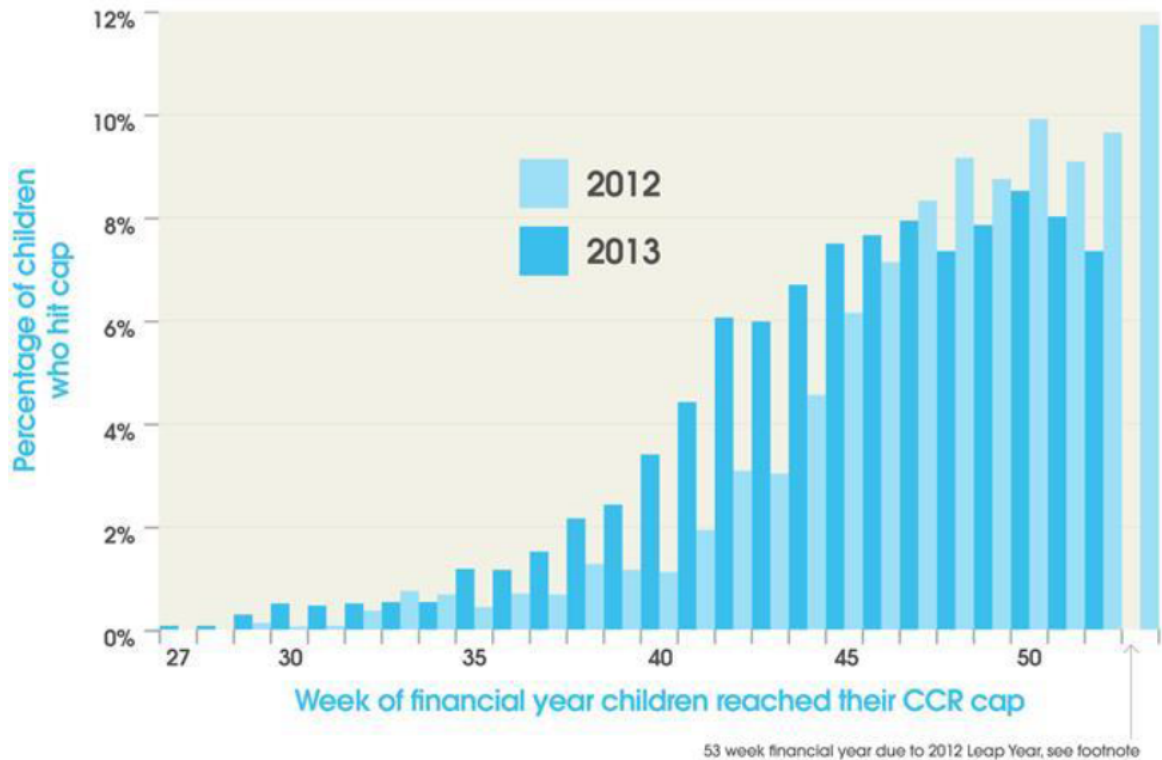
Another complicating factor is the various CCR payment methods. There are clear benefits in providing families with choice about where and how CCR is paid, however these options limit providers' capacity to assist families in planning for the cap as a child's CCR history or current arrangements are not available to the Centre Director through the Child Care Management System.

<sup>81</sup> It would be worth determining how many families would hit the cap if indexation had been maintained. As with CCB it is likely that over time CPI will prove to be an inadequate indexation method for CCR.

## Who is impacted by the cap?

- By 2013-4, the cap affected 72,000 families, or 7.8 per cent of all families. By 2016-17 this number will double, with 147,000 families, or 15.8 per cent of families, exceeding the cap by 2016-17<sup>82</sup>.
- At Goodstart, more and more of our families are hitting the cap and they are hitting it earlier in the year<sup>83</sup> as outlined in Figure 14 below.

Figure 14: More families are hitting the CCR cap and are hitting it earlier (see footnote)



Source: Goodstart, 2014

### Families suffer negative impacts after they hit the CCR cap—a provider perspective of the consequences<sup>84</sup>

- **Family debts to centres increase, children maintain attendances:** This is happening more and more frequently and is expensive to manage. Maintaining positive relationships with the family and continuity of the child’s early learning is of primary importance. In one instance alone over 50 hours of Goodstart personnel’s time was dedicated to successfully resolving a family’s debt issues.
- **Family debts to financial institutions increase, children maintain attendances:** Some families set up direct debit arrangements and arrange for their CCR and a portion of family income to be

<sup>82</sup> “Families childcare pain” Sunday Telegraph 19/5/2013

<sup>83</sup> In FY13, 3.3% (n=3,563) of CCR eligible children hit their cap, compared to 2.3% (n=2,600) in FY12. The increase in proportion of children who hit their cap in FY13 compared to FY12 is statistically significant (p<0.001). FY12 had 53 weeks in the financial year, allowing more children to hit their cap (there were 256 children who hit their cap during FY12, week 53). If week 53 were excluded you would expect to see an even lower percentage of children hitting their cap in FY12, and thus a bigger increase between years.

<sup>84</sup> These impacts have been experienced across the network and are regularly reported by Centre Directors and State Managers. Detailed quantitative analysis cannot be easily produced. The Department of Education may have resources to map these impacts, particularly for families receiving base rate CCB that hit the CCR Cap.

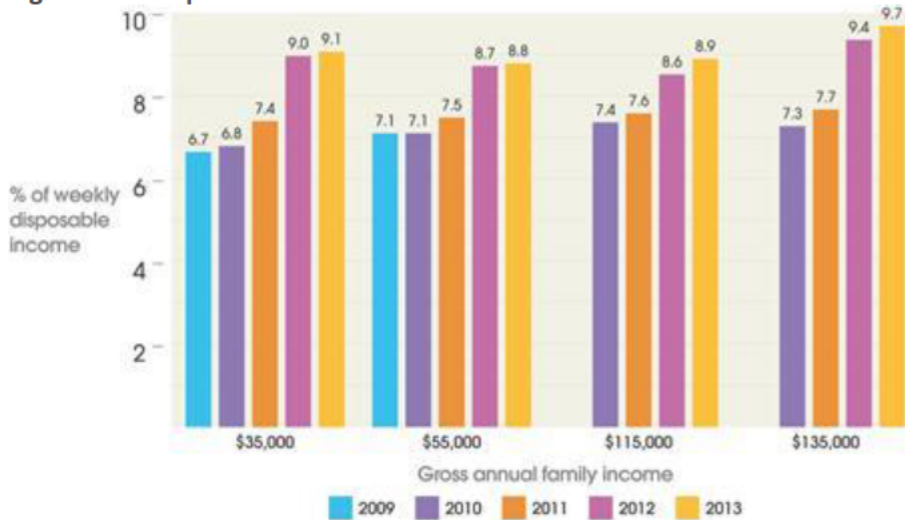
deposited into an account to cover fees. These accounts become overdrawn or have a nil balance as a result of the family not realising their regular CCR payment won't be made by the Family Assistance Office as they have hit the cap.

- **Family reduces attendances and parents work less hours to stay home with their children:** Feedback from the Goodstart network suggests this is occurring more frequently. This is disruptive to the families, the child's access to early learning, and for the employer.
- **Family pay non-subsidised fees, children maintain attendances:** In this instance families experience up to a 50 per cent increase in out-of-pocket costs each week leaving a significant hole in the family budget. This particularly impacts low-income, dual-income families using full-time care, and in outer suburban areas many of these families are also servicing a large mortgage and have high transport costs. A family with two children using full-time care will have to find an additional \$360 per week or \$1,440 per month.

## CCB & CCR impacts on affordability

The combined impact of the reduced value of CCB and CCR can be observed in recent changes in the cost of child care as a proportion of disposable income (Figure 15 and Figure 16). These graphs show that the cost of ECEC is taking up more of the family budget as fees increase and the value of government assistance erodes. This trend will continue over the next few years unless the structural problems with government assistance are addressed.

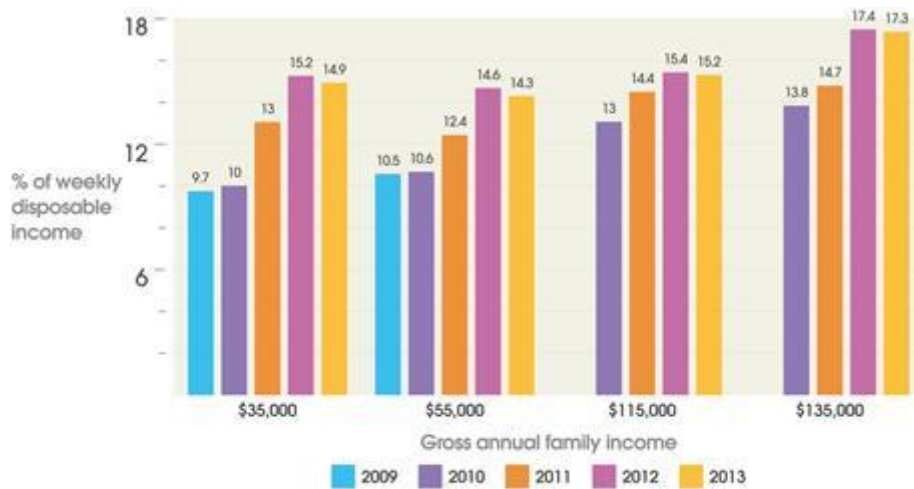
Figure 15<sup>85</sup>: Impact of reduced value of CCB and CCR – one child



Source: SCRGSP (Steering Committee for the Review of Government Service Provision) 2014, *Report on Government Services 2014*, Productivity Commission, Canberra, Table 3A.57

Figure 16: Impact of reduced value of CCB and CCR – two children

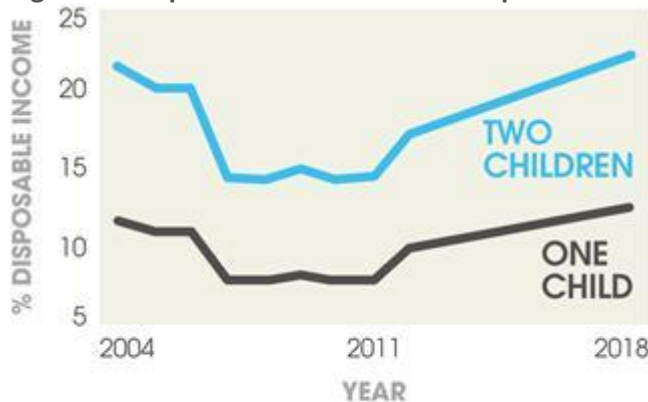
<sup>85</sup> SCRGSP (Steering Committee for the Review of Government Service Provision) 2014, *Report on Government Services 2014*, Productivity Commission, Canberra, Table 3A.57



Source: SCRGSP (Steering Committee for the Review of Government Service Provision) 2014, Report on Government Services 2014, Productivity Commission, Canberra, Table 3A.57

The following graph (Figure 17) highlights the impact of the freeze on the maximum cap on CCR. Assuming fees continue to rise at the long-term average of around 7 per cent per annum,<sup>86</sup> a family earning twice average full-time ordinary earnings with two children in care would see the out-of-pocket cost net of CCR increase from 15 per cent of net disposable family income in 2010 to over 22 per cent of net disposable income by 2017.

Figure 17: Impact of the freeze on the cap on CCR



Source: Goodstart, fee income from DEEWR 2013, income from ABS Average Full Ordinary Time Earnings.

Comparisons from 2008 to 2014

For a family on 70 per cent of an average full-time income with a child in full-time care, the gap they need to make up has risen from 17.5 per cent of child care fees in 2008 to 25 per cent in 2014. That represents an extra \$28.60 a week for families since 2008.

<sup>86</sup> DEEWR Child Care in Australia Update August 2013

**For families earning two average incomes with two children in full-time care (that is, they will not be eligible for CCB), the amount they are out of pocket each week has risen from 14.2 per cent of their disposable income in 2007 to 18.8 per cent in 2014, or about \$64 a week.**

## Indexation

Child care fees have been growing by around 7 per cent annually over the past decade.<sup>87</sup> Goodstart's internal data indicates costs of delivery have also grown well above inflation and well above wages (see Section 11). Taken together, this demonstrates that indexing child care assistance to CPI is not suitable, and will always lead to increasing costs for families as a proportion of income.

Indexation of family payments for child care should be linked to the costs of delivering ECEC services. Consideration should be given to alternative indexation models that ensure child care payments retain their value to families over time, while still allowing for and encouraging efficiency improvements among providers.

## Analysis of alternative methods

In order to get the best return on investment, government assistance must support workforce participation and ensure families can afford quality ECEC. The design of the assistance must be progressive—providing the highest levels of assistance to the lowest income families.

## Tax deductibility and Fringe Benefits Tax

Goodstart does not support tax deductibility as an alternative form of providing child care assistance to families because it would only benefit very-high-income families spending more than \$15,000 per year on child care, and it would leave low- and middle-income families thousands of dollars a year worse off. This would not meet workforce participation or ECEC objectives.

Tax deductibility would provide less assistance than the current system to low- and middle-income families and they would also face higher out-of-pocket costs each week as they have to wait until the end of each financial year to get their assistance. This would make child care unaffordable on a week-to-week basis for many families.

For example, according to Treasury modelling conducted in 2012:

- A family that spends \$500 a week on child care and has an annual income of \$75,000 at present receives \$13,564, or 54 per cent, of their care costs in government payments.
- However, if the same family was able to deduct child care costs from their taxable income, the amount they would receive back would be 31 per cent of their out-of-pocket expenses, or a tax reduction of \$7,625.<sup>88</sup>

The existing Fringe Benefit Tax (FBT) exemption provides families with work-based child care with the option of choosing tax deductible child care *or* access to government child care assistance. Government expenditure on the FBT exemption for child care is not known, however, as noted above it does allow very-high-income families to claim more assistance from the Government compared to the current CCB/CCR policy settings. This

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<sup>87</sup> Department of Education, Child Care and Early Learning in Summary, June quarter 2013

<sup>88</sup> Sydney Morning Herald (June 2013): <http://www.smh.com.au/federal-politics/political-news/rich-get-most-from-childcare-tax-break-20120609-202pb.html>



apparent inequity in the current system should be reconsidered to identify what savings could be made by making the systems consistent.

### **Percentage of fees methodology**

The Henry / Australia's Future Tax System Review proposed a design for child care payments that involved paying families a percentage of their child care fees, with the percentage varying depending on family circumstances. An annual cap would be in place. This design is essentially the same as the current CCR.

It is a general principle of government subsidies for service delivery that the amount of the subsidy should be referenced to the cost of delivering the desired service. One feature of the Henry/CCR design is that it references the amount of government subsidy to the fees charged by operators. In a sense, fees are being used as a proxy for costs of delivery.

Advantages of this design include:

- It accommodates differences in costs and fees across different child care markets—this is very beneficial given the high degree of variability in the market.
- It is flexible—payments hold their value to families over time in response to changing costs and fees (notwithstanding the presence of the total cap).
- It is administratively simple—it does not require estimation of a specific funding rate.
- It is easy for parents and families to understand.

Disadvantages include:

- The service being provided may be more extensive or costly than that which the Government wishes to subsidise.
- It relies on the cap and competition to constrain fees.

### **Cost base methodology**

One potential variation on the 'percentage of fees' design would be to provide payments to families as a percentage of an 'estimated cost of delivery', rather than as a percentage of fees. In other respects, the design could be the same. The estimated cost of delivery would have to reflect that costs of delivery, including labour and rent, are variable depending on service circumstances including location of the service and the age of the child—it would therefore be different for different services, and be adjusted regularly.

The 'estimated cost of delivery' could be calculated on the basis of a formula in the same way as other funding rates for many other types of services such as schools and community services. This formula would be based on econometric analysis of efficient delivery costs. It could be relatively simple—for example, assuming that costs of delivery are the same for all services in a particular state, territory, or region. Alternatively, it could be extremely complex—for example, estimating a specific cost of delivery for each unit of attendance offered by a specific, individual service, taking into account all the variables and drivers of cost for that attendance. A complex approach would be much more onerous and costly for government, but would be more accurate. A simple approach would be easier to implement, but would be less accurate.

The obvious and significant risk of this approach relates to the accuracy of the estimates—if the 'estimated cost' were significantly overestimated for a given service or area, this could result in government over-

subsidising delivery. If the estimated cost were significantly underestimated, this could lead to significant under-provision and lack of supply.

This function of estimating and updating estimated delivery costs could be performed by government, or by an independent pricing authority. Goodstart believes the current IT infrastructure and quality of information about child care markets is insufficient to adequately estimate costs to capture the granular variability that occurs from place to place. Hence, the major drawbacks of this approach would be the technical and administrative challenge of accurately estimating the cost of delivery, and the complexity of explaining it to services and families.

Advantages of this design include:

- It accommodates differences in costs and fees across different child care markets, *subject to feasible, accurate cost estimates*.
- It is flexible—payments hold their value to families in response to changing costs and fees (notwithstanding the presence of the total cap), *subject to feasible, accurate cost estimates*.

Disadvantages include:

- Significant administrative cost and complexity associated with estimating cost of delivery.
- Difficult to communicate and explain to families and services.

## Parents' experience of fees and government assistance

Navigating the Family Assistance Office or Centrelink to determine what rebates and benefits a family might be entitled to can be challenging. The complexity of the current payments means centre staff are limited in the specificity of information they can provide to parents.

Goodstart has found a 25 per cent increase over the last three years in the number of calls from parents wanting to discuss their accounts. Account queries include topics such as CCB, CCR, payment methods available, and payment administration. Many of the CCB, CCR and usage questions parents have are due to not understanding the government system, timeframes, and entitlement limits. As more families hit the CCR cap and as CCB continues to cover less of the total fees, we expect calls to increase.

## Conclusion

This section has demonstrated the structural problems with the existing payments that are contributing to higher out-of-pocket fees for families and, in doing so, has outlined the rationale for reform. The eroding value of government assistance and forecast increases in costs will be impacting on the accessibility and affordability of ECEC, which is in turn influencing workforce participation and children's participation in ECEC. Reform options should build on the positive features of the existing payments with a view to ensuring long-term affordability and sustainability of the sector.

## Related recommendations

- 1 The overall level of government investment in ECEC should increase, commensurate with the enormous potential social and economic benefits of investing in early childhood.

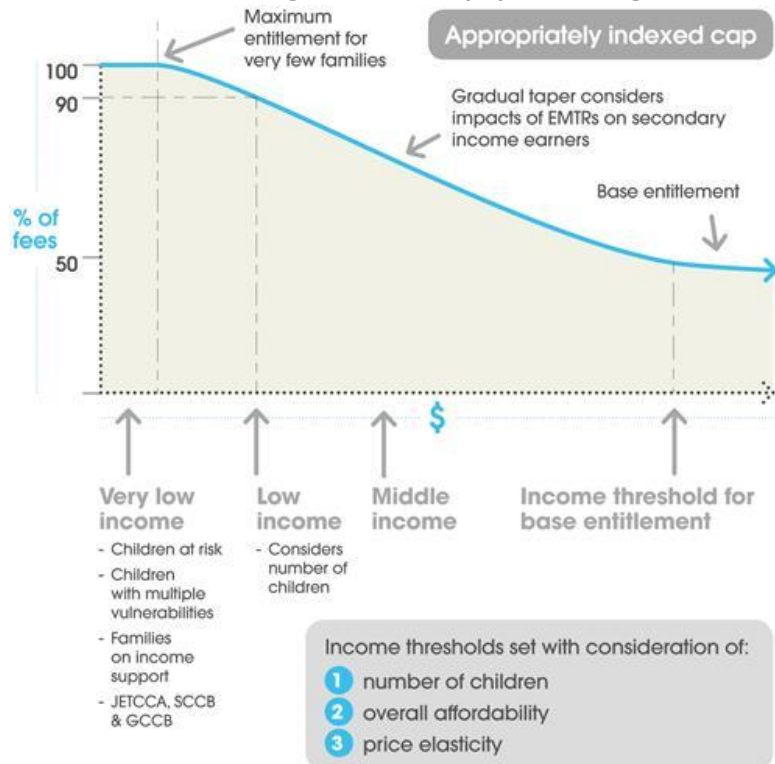
- 2 Government investment should be redesigned to ensure it is directed where it will have the greatest possible impact: Workforce participation, particularly among mothers of young children; and learning and development outcomes for children, particularly for low-income families and vulnerable children.
- 4 Government investment must ensure the long-term affordability, accessibility, and sustainability of high-quality ECEC for Australian families.
- 5 **A new single streamlined universal payment should be implemented.** Assistance should be simpler and should continue to be universally available to all families but with more assistance provided for low and middle-income families. Building on the analysis undertaken for the Australia's Future Tax System review, we propose a payments system with the following design features:

- **Simplify and streamline payments by combining the best elements of the existing system:** CCB, CCR, JET, and SCCB and GCCB should be combined into a single payment to make child care assistance simpler and more transparent.
- **Design the payment to cover a percentage of fees for all families:** The new payment should be provided as a percentage of fees, to ensure the rate of assistance is maintained over time and that it accommodates the wide distribution of child care prices in Australia.
- **Use a cap to contain costs:** An appropriately set and indexed cap per child should be used to contain fees and costs to government. There may be different caps for families in different circumstances to reflect different costs of delivery (for example a higher cap for nursery places).

*This is the most efficient and administratively simple method to set the new payment and will be easy for families to understand.*

- **Provide universal assistance:** All families who meet the 'work, training, or study test' should receive a base percentage of fees for five days per week, consistent with current entitlements. The base rate should be consistent with current entitlements (that is, 50 per cent).
- **Provide more assistance for low-income families:** Low-income families who meet the 'work, training, or study test' should receive a high percentage of fees (for example, 90-plus per cent) for five days per week to facilitate workforce participation and support the use of child care for early learning and development.

**Figure 18 – new payment design features**



- **Ensure ECEC is accessible for children in low-income families:** Low-income families who do not meet the 'work, training, or study test' should receive up to three days' subsidised access to support their children's learning and development, consistent with current entitlements. Any additional days would be at the parent's expense.
- **Provide free ECEC for very vulnerable children:** Very-low-income families and at-risk children, including children known to child protection, should continue to receive free or almost-free assistance (for example, 100 or 98 per cent) consistent with current entitlements.
- **Design a gradual taper rate:** The income tests and taper rates should support workforce participation for middle-income families by considering price elasticity and the impact of effective marginal tax rates. They should also give consideration to the number of children in each family.

## 10. Ensuring access to preschool/kindergarten

This section addresses the following TOR for the Immediate Future of the child care sector Inquiry:

- Cost and availability for parents over the short term, including the effectiveness of the current government rebates (a)
- Other related matters (e). *Specifically access to Preschool for 4 year olds.*

This section addresses the following TOR for the Delivery of Quality and Affordable ECEC Inquiry:

- Other related matters (e). *The cost of delivering quality ECEC has been increase and will continue to increase leading to higher out-of-pocket expenses for parents.*

### Key points:

- The benefit of a high-quality preschool program in the year before school is evident and children in vulnerable circumstances benefit even more from these programs.
- State investment is variable and has a major influence on the accessibility, affordability and quality of early learning in preschools
- Despite recent reforms to achieve universal access to preschool, families are still limited in how they access preschool with many children, including children in vulnerable circumstances, continuing to miss out or having to attend multiple types of ECEC.
- Preschool provided in long day care settings meets the needs of working families by providing the required 15 hours per week of high-quality preschool within long day care hours.
- Funding is inconsistent across the ECEC delivery models and across the states and territories, meaning working families cannot always access high-quality preschool in long day care settings, and when they do they face higher out-of-pocket expenses.
- Ongoing and nationally consistent funding for preschool in long day care settings is needed to ensure preschool remains affordable for families.
- There is a role for government to ensure universal access is both accessible and affordable, and provided in settings that meet the needs of working families, so all children have the opportunity to benefit from these programs.
- Children in vulnerable circumstances must receive adequate support to participate in preschool.
- A national system of preschool funding with consistent administration and regulation requirements could deliver significant efficiencies to government.

### Overview

Australia has a strong history of providing preschool/kindergarten programs. The benefits of preschool provision in the year before school for all children, and especially for vulnerable children, are widely accepted. The purpose of this section is to provide an analysis of the status of the implementation of high-quality preschool/kindergarten programs across Australia. As a national provider of long day care, Goodstart is in a unique position to highlight the strengths and weaknesses of current approaches in supporting children's learning and development, and supporting workforce participation.

Traditionally community and public preschool/kindergarten programs were directly funded by state and territory governments, which covered the labour costs of the teacher and assistant, with parents making a nominal contribution. State and territory government investment varied significantly state by state. Limited federal government assistance was provided and programs were usually offered during hours that were not conducive to working parents. If parents could not change their work hours or use other care arrangements to fit in with drop-off and pick-up times, their children missed out on preschool.

This model was very beneficial for children who attended, but due to variations in state and territory government investment there were not enough funded places in Australia to ensure all children could access a place. Children from disadvantaged backgrounds were also under-represented. There was no national consistency in the number of hours offered, the qualification requirements of the teacher, or the educational program delivered.

Long day care services offered 'preschool programs' for children in the year before school but these were not required to be delivered by a qualified ECT and received no state or territory government funding. These services were funded by parents' fees and, for eligible parents, by Commonwealth subsidies such as the CCB and the CCR.

## A commitment to providing universal access to preschool

To address these problems and ensure *all* children could access preschool, all Australian governments made a commitment in 2008 through the Council of Australian Governments (COAG):

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

**For the purposes of this section, preschool or kindergarten that meets these requirements and is consistent with bilateral agreements will be referred to as 'UA-preschool'.**

**Funding delivering under the Universal Access National Partnership will be referred to as Universal Access or UA-preschool funding.**

The Australian Government committed \$970 million between 2008 and 2013, and then in April 2013, \$660.1 million was allocated over 18 months to 31 December 2014.

## Universal access to preschool in practice—inconsistency across states

The opportunity for long day care to deliver UA-preschool programs across the states and territories has been determined by two key factors:

1. existing infrastructure and preschool programs available to children in the preschool age group, and
2. available funding.

Both of these factors vary significantly across the country.

Even with UA-preschool funding, state and territory government investment has a major influence on the accessibility, affordability and quality of early learning in preschools.

Table 4 below summarises state and territory expenditure on preschool. Historically, New South Wales and Queensland State Governments have significantly underfunded the preschool sector compared to other states. Both states have average preschool fees well above the average of the other states, and average enrolments well below the other states. A truly national system of universal access to preschool education require these states to increase their contribution to more closely match the investment of the other states. State and territory government UA-preschool bilateral agreements were influenced by their existing investment in preschool.

**Table 4: State and Territory Expenditure on Preschool in 2011-12<sup>89</sup>**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	AUST*
State expenditure (\$m)	\$191m	\$245m	\$147m	\$261m	\$128m	\$37m	\$36m	\$34m	\$1,079m
State expenditure per child (\$)	\$2,040	\$3,493	\$2,411	\$8,256	\$6,585	\$5,734	\$7,804	\$9,417	\$3,743
Average cost per child net of subsidies	\$84	\$37	\$64	\$23	\$23	\$8	\$44	\$11	\$49
% Enrolled	89%	100%	77%	96%	97%	96%	104%	90%	n.a.

Source: ROGS 2013; Annual Reports on National Partnership Agreement on Early Childhood, see footnote for explanation of calculations

\*Totals may not sum due to rounding

## States and Territories where long day care is funded to deliver UA-preschool

Goodstart welcomed the opportunity to deliver high-quality UA-preschool services to provide more choice and flexibility to families. Goodstart is currently a recipient of UA funding until the end of 2014 to support the delivery of UA-preschool programs in long day care settings in Queensland, Victoria, South Australia, and the Northern Territory.

In 2012-13 Goodstart received in excess of \$13 million in funds from the universal access agreements in these states and territories. Parents have been keen to access UA-preschool in long day care settings and universal access funding to Goodstart has increased each year since 2008, as we deliver UA-preschool programs to more

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<sup>89</sup> ROGS 2013, tables 3a.5, 3a.2, 3A.14, State Annual reports on the National Partnership Agreement on Early Childhood Education, State Expenditure from table 3A.5, per child calculated by dividing total spending by number of 4 year olds in table 3A.2, average cost of preschool net of subsidies from table 3A.13, % enrolled taken from the most recent published Annual Reports on the National Partnership Agreement on Early Childhood Education.

children each year. This suggests there is growing demand as parents realise they can access a high-quality UA-preschool program in a long day care setting.

Funding requirements and allocations are different in each state and territory, but generally funding has been used to employ and subsidise qualified ECTs, enhance outdoor learning environments, and upgrade indoor learning resources in accordance with NQF requirements, while maintaining affordability for families. If this funding is not maintained these costs will have to be passed on to families in the form of higher fees.

The inconsistency of universal access funding across each of the states and territories is a significant challenge for Goodstart and other long day care providers. Appendix 4 outlines the differences and provides a snapshot of the administrative complexity associated with the current system.

Of the four states and territories where Goodstart receives UA funding, each requires different reporting and tracking, therefore the administration costs on the service provider is significant. Goodstart believes the following issues could be addressed to make the preschool funding more efficient and therefore reduce costs for both the service provider and governments:

- **Consistent data tracking and reporting.** Currently each state and territory government has different systems for their data tracking. This means the service provider is required to submit data in different formats, at different time intervals, and each state and territory is requesting different information to be reported. The inconsistent data reporting results in inconsistent data subject to differing interpretations.
- **Consistent spending guidelines.** Currently each state and territory provides different spending guidelines for the universal access funding, resulting in inconsistent outcomes.
- **Consistent support and guidelines for marginalised groups and groups experiencing disadvantage.** Currently each state and territory provides different funding sources, funding amounts, and guidelines for funding to families that require support to overcome barriers to participation in preschool.

## States and Territories where long day care is not funded to deliver UA-preschool

Despite benefits for working families and children, New South Wales, Tasmania, Western Australia, and the Australian Capital Territory do not fund UA-preschool programs in long day care settings. Western Australia, the Australian Capital Territory and Tasmania deliver a UA-preschool service as part of the school system, and New South Wales delivers preschool through an existing network of stand-alone preschool providers. This reduces options for working families, results in some children missing out on the high-quality UA-preschool service that is delivered elsewhere, and their parents are facing higher out-of-pocket expenses.

Throughout its national network, Goodstart delivers a preschool/kindergarten program to four-to-five-year-old children, with (when available) an ECT delivering the EYLF curriculum throughout the day. However without universal access funding it is not possible to provide the complete UA-preschool model. This is clearly inequitable as these children should have the same opportunity to benefit from the UA-preschool program as their peers in long day care settings in other states and territories.

Goodstart provides preschool programs to more than 9,800 children in the year before school in jurisdictions that do not provide long day care preschool funding, as outlined in Table 5 below:



**Table 5: Number of children accessing preschool services at Goodstart Early Learning—2013**

	State/ Territory	Children		State/ Territory	Children
<b>No UA Preschool funding</b>	WA	2,437	<b>Receives UA Preschool funding</b>	SA	2,978
	Tas	303		Qld	11,238
	ACT	241		Vic	8,565
	NSW	6,907		NT	374
<b>Total:</b>		<b>9,888</b>		<b>Total:</b>	<b>23,155</b>
				<b>Total:</b>	<b>33,043</b>

## Impact of universal access funding

The impact of universal access funding on preschool attendance in Australia has been very significant. The most dramatic impact is seen in Queensland, where the percentage of children enrolled in preschool in the year before school rose from 29 per cent in 2008 to 77 per cent in 2012<sup>90</sup>. Sixty-two per cent of children in Queensland attended preschool programmes in a long day care centres, and attended for longer hours (17.2 each week) than in any other state.<sup>91</sup> Queensland reported the largest improvement in Year 3 NAPLAN Reading scores between 2009 and 2012,<sup>92</sup> and the biggest reduction of any state or territory in the percentage of children developmentally vulnerable in the first year of school between 2009 and 2012.<sup>93</sup> The Queensland model of providing universal access funding to long day care centres had a further beneficial quality impact on centres, in that it facilitated the employment of ECTs in Queensland long day care centres, as teachers were often attracted by the opportunity to be part of a recognised, funded kindergarten program.

Attendance rates in preschool are above 90 per cent in many states. In 2011, 88.9 per cent of children in New South Wales were enrolled in a preschool program in the year before school. Of the children enrolled, half (49.6 per cent) were enrolled in a long day care centre and the rest in either a community or government-run preschool.<sup>94</sup> However, the New South Wales Government has chosen to direct all of its universal access funding to community and government preschools, providing no funding at all to support the 50 per cent of children accessing preschool in long day care centres. The independent Review of Early Childhood Education Funding commissioned by the New South Wales Government and conducted by Professor Deb Brennan in 2012 recommended that funding be extended to the long day care sector, which would go some way towards closing the participation gap and improve access for many low-income working families.<sup>95</sup> The New South Wales Government accepted this recommendation in principle but did not apply it in its recent changes to preschool funding. This means around half of the children in preschool programs in New South Wales continue to receive no benefit from UA funding.

<sup>90</sup> Queensland Annual Report: National Partnership Agreement on Early Childhood Education (2012)

<sup>91</sup> Report on Government Services (2013 & 2014)

<sup>92</sup> COAG Reform Council 2013 *Education in Australia 2012: Five years of Progress*

<sup>93</sup> AEDI 2012 *National Report*

<sup>94</sup> NSW 2011 Annual Report on the National Partnership Agreement on ECE

<sup>95</sup> Brennan D (2012) *Review of NSW Government Funding for Early Childhood Education*, UNSW, April 2012

## Impacts on families

The difference in funding models contributes to inequitable access to preschool education across Australia as it does not provide working families with the flexibility they need. The 15 hours of funded access within a stand-alone preschool offering (a 9am–3pm day of two days one week and three days for the next for only 40 weeks a year), doesn't suit most working families. The lack of available care during standard working hours results in many children attending a long day care centre along with a stand-alone preschool during the year. This lack of flexibility can also mean some children have to attend two services (a preschool and long day care centre) on the same day. Having children in more than one care type is not optimal from an early learning perspective and can also lead to inefficient use of government resources.<sup>96</sup> Working families that need long day care hours also face much higher out-of-pocket expenses for their child to access preschool.

## Conclusion

This section has highlighted the lack of flexible access to a high-quality preschool program in some states and territories. Preschool has many benefits for children and especially for vulnerable children. Given the strength of the evidence about the benefits of a high-quality preschool program and workforce participation objectives, there is a solid rationale for reform to ensure high-quality preschool is delivered in variety of settings to provide more flexibility for working parents. A new nationally consistent funding model is needed to ensure the original intent of the universal access commitment is realised. Efficiencies and costs savings can be achieved by streamlining state and Commonwealth funding. As funding for UA-preschool expires in December 2014, there is an urgent need for reform so all children can access a high-quality preschool program in 2015.

In developing reform options the following points should be considered:

- Funding currently provided by state and territory governments and any ongoing universal access funding should cover the cost delivering the high-quality UA-preschool program regardless of setting (for example, stand-alone kindergarten, school, or long day care centre) and must also encourage participation in UA-preschool by disadvantaged children:
  - The current universal access arrangements should be reviewed to determine the best way to achieve these objectives. Goodstart suggests that per-child payments provided in Victoria, and additional payments (loadings) provided in Queensland, South Australia and the Northern Territory for disadvantaged children should be considered in the first instance. Goodstart also supports the capital funding programs provided by these states and territories as a way to raise the quality of the early learning environment.
  - Targeted additional payments for disadvantaged children are an effective way to promote participation by these children and these should also be considered as part of future funding for preschool. These can be an effective way to both reduce out-of-pocket expenses for families, and to deliver critical support services to address other barriers, such as language.
  - Stand-alone kindergartens/preschools should be able to access any new child care assistance payment provided they meet minimum opening hours requirements that support workforce participation.

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<sup>96</sup> Harrison et al 2009

## Related recommendations

- 1 The overall level of government investment in ECEC should increase, commensurate with the enormous potential social and economic benefits of investing in early childhood.
- 7 A nationally consistent approach to preschool financing and access should be implemented from 2016, with an urgent one year extension of existing Universal Access National Partnership funding provided to cover the 2015 calendar year.

## 11. The ECEC workforce

This section addresses the following TOR for the Delivery of Quality and Affordable ECEC Inquiry:

- Outcomes for children in ECEC services including workforce factors (a-i).

### Key points:

- At Goodstart, our people are our foundation. We invest in them first and foremost so that collaboratively they can drive quality, inclusion, and stability.
- Goodstart has made significant progress to meeting the requirements for our people as outlined in the NQS.
- Investing in a professional workforce will improve outcomes for children and deliver a return for governments and the nation.
- As identified by the Productivity Commission in 2011, there are specific challenges for the ECEC workforce that must be addressed, including low retention caused in part by wages, a 'flat' career progression, and demanding working conditions.
- Goodstart supports professional wages, noting that providing professional wages for educators will require additional public investment to ensure ECEC remains affordable for families.

### Overview

Goodstart recognises the need to professionalise ECEC across the sector as well as raise the profile and public understanding of the benefits and expertise required for quality ECEC.

Goodstart employs over 13,000 staff comprising 10,500 permanent full-time and part-time educators, and a cohort of around 3,000 casual educators. Casual educators are available 'on-call' to ensure Goodstart centres remain fully compliant with NQS staffing and qualifications' requirements in the event that permanent staff are unavailable (for whatever reason, to attend their shift). Goodstart's permanent centre educator workforce comprises:

- Centre Directors
- Early Childhood Teachers (ECTs)
- Diploma-qualified Room Leaders
- Certificate III-qualified educators (including educators studying towards their Certificate III qualification)
- Support services' educators (including centre cooks, etc)

**All Goodstart educators—permanent and casual—either hold (at least) a Certificate III in Children's Services qualification (or equivalent) or are studying towards a qualification.**

Goodstart relies entirely on its total workforce in all centres and centre support offices to deliver high-quality accessible, affordable, community-connected early learning in our centres.

Goodstart's staffing strategy is predicated on the evidence that a qualified workforce will deliver higher quality early learning outcomes for children. We are implementing the NQS and raising quality across the board through three distinct programs of work:

- Attracting the best and brightest minds and talent to come and work for Goodstart.
- Upskilling our staff by adopting a strong learning culture and assisting employees to upgrade their formal qualifications, most notably via the Goodstart Training College and by promoting professional development opportunities.
- Retaining and engaging our staff by adopting a continuous improvement focus in everything we do.

Learning and development is a high-cost activity in ECEC due to the need to backfill educators if they are away from the centre or not engaged in the room, as well as the high costs involved in delivering professional development for participants. The federal and state governments have placed training and education responsibilities on early learning educators and Goodstart believes it is reasonable that they should be adequately compensated for undertaking this work and improving their skills.<sup>97</sup>

Goodstart will continue to support our staff to enhance their skills, but we are limited in the extent to which we can provide wage increases beyond the current Enterprise Agreement without passing on the costs to families.

### Professional wages

**Goodstart strongly supports the provision of affordable professional wage rates for educators in the ECEC workforce. In order for the early years profession to attract and retain a qualified, motivated and engaged workforce to deliver high-quality early learning outcomes for children, all terms and conditions of employment, including pay rates, must:**

- reflect the professional standing of the ECEC workforce
- reflect the value of the ECEC workforce by the community, and
- act as an incentive to enable educators to remain in the sector as they improve their qualifications.

**In supporting the move towards professional wage rates in the ECEC sector, Goodstart notes the need to ensure such wage rates are affordable for service providers and must be complemented by other contemporary terms and conditions of employment (including leave provisions, opportunities for ongoing professional growth and development, opportunities for formal ECEC qualification upgrades, etc).**

**The Committee should consider the importance of professional wages and the application for an Equal Remuneration Order currently before the Fair Work Commission in recommending future levels of public investment in early learning and care.**

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<sup>97</sup> COAG 2009

The Productivity Commission 2011 Workforce Research Report provides a comprehensive analysis of the challenges facing the sector. Unfortunately many of the key recommendations have not been effectively implemented. In particular, investment to realise the recommendations has been lacking.

As a provider we note the following general workforce issues:

- The relatively 'flat' career structure and limited progression opportunities is a challenge across the sector.
- There is a shortage of Bachelor-qualified ECTs and registrations vary by state, limiting opportunities for ECTs to move interstate.
- Competition with the school and sessional preschool sector for ECTs, which offer better wages, conditions, and have established professional development and networking structures in place. We have experienced a high turnover of ECTs, with many leaving Goodstart in order to accept contract positions in schools.
- There is a very tight recruitment market in specific locations for ECTs and Diploma-qualified staff.
- Some vacancies for ECTs and Diploma-qualified educators in the Northern Territory have been open for over 150 days, due to lack of candidates in the area with the required qualification levels.
- In the Australian Capital Territory, current vacancies for ECTs and Diploma-qualified educators have been open for over 90 days. In the Australian Capital Territory there is a high level of 457 visa sponsorship to fill these hard-to-fill rolls
- In regional New South Wales there are vacancies that have been open for over 200 days for ECTs. Within these areas, additional employee benefits and agreed rates have been provided to attract and retain suitable candidates.
- We have recognised local variables that must be considered in order to develop an effective local ECEC workforce:
  - The geographic location—rural, regional, and remote locations drive considerations around pay and conditions, and workforce skill levels.
  - The impact on the local community of the predominate industry—for example, in mining towns like Rockhampton, Emerald, and Gladstone in Queensland, and in some parts of Western Australia, high costs of living and competition for labour at comparable qualification levels.

## Goodstart Training College

Goodstart Training College is an enterprise registered training organisation (RTO) that provides a number of nationally recognised qualifications, including:

- CHC30113 Certificate III in Early Childhood Education and Care
- CHC50113 Diploma of Early Childhood Education and Care
- CHC52212 Diploma of Community Service Coordination
- CHC60312 Advanced Diploma of Community Sector Management
- BSB40812 Certificate IV in Frontline Management

- BSB50207 Diploma of Business
- BSB60407 Advanced Diploma of Management

The College has had a fundamental role in supporting Goodstart educators understanding and embedding of the NQF, in particular the NQS and the EYLF. All course material provides extensive information on the NQF, and learning activities and assessment ensures students are able to apply learning to an ECEC context.

As an enterprise RTO, the College primarily delivers training to Goodstart employees but does provide services to people outside the organisation, including delivering school-based traineeships in the Northern Territory in response to a direct approach from local schools. This arrangement was made possible by funding from the Northern Territory Government and allows up to 10 students to undertake school-based traineeships. The program also builds workforce capacity for the sector in an area of high need.

### **Implementing the NQF and NQS**

Goodstart is committed to implementing the NQS and believes the timeframes for implementation should not be changed. Finding the balance between meeting qualifications' requirements and operating with a 'staffing headcount' that is efficient and cost effective is a challenge in an environment of tight margins and high labour costs, however it is an investment worth making.

### **The reform journey—all staff have, or are working towards, a minimum qualification**

When the minimum qualifications' requirements were agreed as part of the NQF, some commentators noted this would lead to large numbers of unqualified but experienced staff leaving the sector. As one of the largest ECEC employers in the country, Goodstart is pleased to report this has not been the case.

- In 2011, Goodstart identified almost 1,800 educators either did not have, or were not currently studying towards, a formal early years qualification.
- Over the past three years we have sought to enrol all unqualified/not-studying educators in a Certificate III program with the Goodstart Training College (or, alternatively, with another learning provider, such as TAFE, etc).
- As at 31 December 2013, there was only one Goodstart unqualified educator who had decided not to undertake a course of study.

### **The reform journey—50 per cent of educators have or are working towards a Diploma or Bachelor qualification**

Goodstart has effectively leveraged the Goodstart Training College to provide a pipeline of Certificate III and Diploma-qualified educators in its centres. Goodstart has been able to offer a genuine 'earn-while-you-learn' approach to upgrading the qualifications of its centre educator workforce. This is due to the Goodstart Early Learning Limited Enterprise Agreement providing employees with the opportunity to gain their Certificate III or Diploma free of charge, coupled with the College network of 35 Professional Learning Consultants based in state and territory locations and servicing all centres with regular visits to students in their own centre work environments.

### **The reform journey—an ECT in every centre**

In early 2010, Goodstart had only around 165 ECTs in its centres. In January 2014, Goodstart has in excess of 625 ECTs across its total centre permanent and casual workforce. Recruiting and retaining ECTs has been a

significant part of Goodstart's centre educator workforce efforts, and continues to be so. To ensure the attraction and retention of its ECT workforce, Goodstart is implementing dedicated recruitment campaigns to attract ECTs, revising its rates of ECT remuneration, implementing an ECT induction/welcome program, providing ongoing professional development opportunities for ECTs, and ensuring ECTs are wholly engaged in those centre operational decisions they are responsible for delivering.

In response to high turnover of ECTs, Goodstart conducted a research project using structured focus groups and qualitative software in order to gather robust evidence to identify and prioritise key recruitment and retention activities to support new and existing ECTs. Key findings from this research that are relevant to the whole ECEC sector in supporting ECTs include:

- A need to heighten public awareness of the availability of kindergarten programs in long day care settings
- A lack of public and centre-based knowledge about the different roles within the early learning setting, particularly the difference between kindergarten and preschool programs and other early education programs provided in centres, and the associated resource needs of the setting in providing a quality early childhood education.
- This lack of information extends to guidance for ECTs about regulations, career development opportunities, and teacher registration for new staff and graduates.
- A lack of professional networking and access to other professional resources and opportunities to access professional development during work hours.
- A lack of time for programming and preparation to support pedagogical practice.
- With unclear and inconsistent role expectations, ECTs can be confronted by negative attitudes about their role and its impact on early childhood education from colleagues, other education sector professionals, and parents of children attending centres.
- Consistent with the general early years sector, more definitive career pathway opportunities could be beneficial for retaining ECTs.
- Lack of definitive advice about universal access funding was contentious.
- Lack of access to technology and appropriate space to work in for programming.

This research suggests the systems to support this cohort influx, and the inherent knowledge of what was required to effectively support this employee group, was missing at Goodstart. It is likely this is a challenge facing other long day care providers as well.

In response to these findings, Goodstart has made a significant investment to create the Goodstart ECT Professional Program. The program is designed, developed, and implemented across each state and territory under the leadership of newly appointed ECT Program Managers and incorporates key components of networking, mentoring, and professional development, all designed specifically to develop and strengthen capability within professional teaching practice. Goodstart would be interested in engaging with the Government to identify ways to support ECTs in the sector more broadly.

## **The reform journey—addressing retention**

Addressing labour retention is critical to efficiently delivering high-quality ECEC for children and ensuring sustainability and affordability of services.



In August 2013, Goodstart Early Learning conducted its first employee engagement survey to understand and identify factors influencing the level of employee engagement and use the results to improve key outcomes such as turnover, absenteeism, productivity, quality, advocacy, and health and safety, all of which ultimately impact on outcomes for children and families.

Results showed engagement drivers for 'strategy' and 'work tasks' rated highly with 78 per cent of respondents committed to Goodstart's vision, mission and goals, and 73 per cent truly enjoying their work tasks<sup>98</sup>. Specific challenges are found in the lowest-rating engagement drivers, showing a lack of career progression for educators with just 58 per cent of respondents agreeing there are 'excellent career opportunities for strong performers'. In addition, results show strong dissatisfaction in reward and recognition, with only 39 per cent of respondents agreeing they receive 'appropriate recognition for their contribution and accomplishments'. Hundreds of respondents took the opportunity to use the comments section of the survey to raise concerns about their low pay, many stating they feel under-valued when they have such an important role to educate and care for children under the age of five.

The survey measured engagement behaviours with specific questions on the respondents' likelihood to say good things about working at Goodstart (76 per cent), their inclination to stay with their centre (53 per cent), and willingness to go 'above and beyond' in their role (55 per cent). Low engagement levels lead to high turnover rates and loss of continuity of care, and lack of motivation from educators to provide quality education and care.

In addition to wages and conditions, current research of staff retention in an ECEC setting indicates factors that can mitigate staff turnover include a sense of professional commitment, team building opportunities, effective communication, and appreciation for the work they do by staff, administration and families. Goodstart Early Learning's National Workforce Plan is implementing strategies to capitalise on these opportunities to increase retention.

Goodstart's centre annualised staff turnover continues to decline (from annualised staff turnover of 22 per cent in 2011 down to 15 per cent as at December 2013).

## Specific workforce strategies implemented by Goodstart

### To support Certificate III and Diploma-qualified educators

- Delivered employer-funded study through the Goodstart Training College with up to 2,700 staff commencing study since 2011. The market cost of this study was around \$4,000 per qualification.
- Engaged in partnerships providing school-based traineeships and work placements. Government support for this program has recently been significantly reduced. This strategy has been effective in areas with severe shortages such as the Northern Territory.
- Invested in research into employee engagement and satisfaction indicators to inform future workforce strategies, consistent with best-practice workforce development.

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<sup>98</sup> 5595 Goodstart employees completed the survey

## To recruit and retain ECTs

- Engaged in overseas recruitment, particularly from New Zealand and the United Kingdom. This activity has been moderately successful, but has enabled Goodstart to 'market' the professional attractiveness of working in the Australian ECEC sector.
- Commencing February 2014, Goodstart has a formal partnership with the Australian Catholic University to sponsor a number of Goodstart's Diploma-qualified educators to undertake an enhanced, purpose-created early childhood degree program at the University
- Goodstart is currently actively supporting educators in New South Wales, South Australia, the Northern Territory, and Victoria to undertake and complete their ECEC degree qualifications. With many state and territory governments providing financial assistance to students, Goodstart supports its educators through enabling paid time off for study and exams, and paid time to complete in-centre practicum programs. In the current financial year, Goodstart's in-kind costs will be in the order of \$100,000.
- Invested in research with ECT cohort to determine engagement and satisfaction drivers.
- Developed the Goodstart ECT Professional Program to address the core needs of teachers, including mentoring, professional development, and networking (as mentioned above).

## Government programs to support workforce development

To support the NQF and universal access reforms, the Australian Government committed \$126.6 million over four years to remove TAFE fees for Diploma and Advanced Diploma qualifications, create additional university places for ECTs, and subsidise the HECS-HELP debt of teachers working in areas of high disadvantage. Providers could also access funding for training places under the National Workforce Development Fund and some skills training available through the National Traineeship Scheme.

Goodstart has accessed government programs aimed at upskilling the ECEC workforce with training facilitated through the Goodstart Training College. While these programs are beneficial, the key problems are that funding is insufficient to cover the cost of delivering training (including backfilling), places are usually capped, and the initiatives and requirements vary in each state and territory.

Grant programs are also available to individual educators with Diploma qualifications to commence the upgrade of their qualification towards a Bachelor degree in early childhood studies. These programs are welcome, however they are not offered in every state, places are capped, and the dollar value of such funding is significantly less than required to complete such studies.

Providing adequate support for training and professional development is critical to achieving the objectives of the NQF. Goodstart would welcome the opportunity to discuss opportunities to streamline and enhance government programs to support implementation of the NQF and possible opportunities to leverage the capacity of the Goodstart Training College.

## Conclusion

Goodstart is committed to professionalising the field of early learning and raising the profile and public understanding of the benefits and expertise required to deliver quality ECEC. In this section we have provided a summary of our achievements in implementing the NQF and outlined some of the challenges we have encountered, and related mitigation strategies. Drawing on the evidence presented earlier in this submission,

Goodstart believes building a professional workforce to deliver high-quality ECEC is an investment that must be made in order to realise learning and development and workforce participation objectives<sup>99</sup>.

### **Related recommendations**

- 1 The overall level of government investment in ECEC should increase, commensurate with the enormous potential social and economic benefits of investing in early childhood.
- 3 The National Quality Framework must be supported and maintained.
- 4 Government investment must ensure the long-term affordability, accessibility, and sustainability of high-quality ECEC for Australian families.

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<sup>99</sup> In particular, sections 3: Role of Government in ECEC, 4: Government should support children's participation in high quality ECEC and 5: Governments should reduce barriers to workforce participation by support participation in ECEC.

## 12. Summary of recommendations

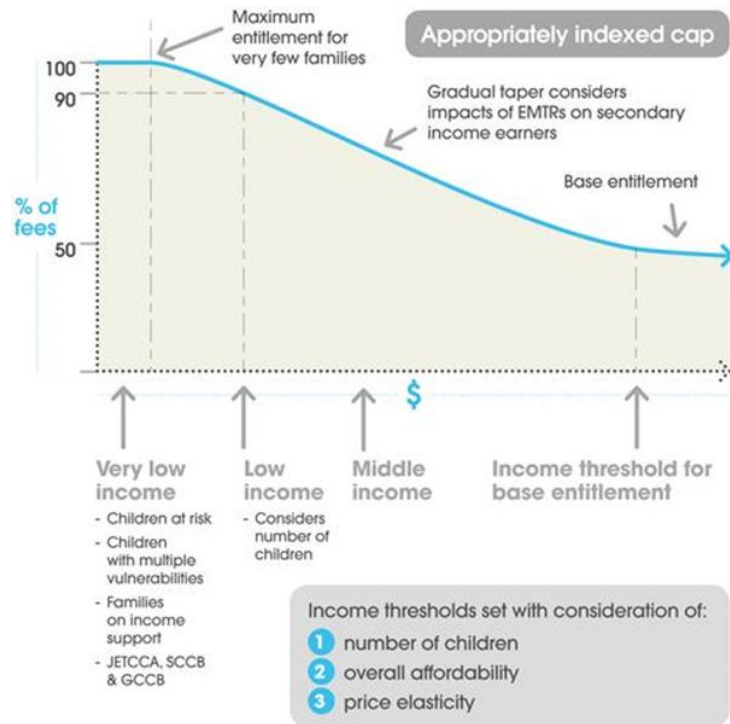
1. The overall level of government investment in ECEC should increase, commensurate with the enormous social and economic benefits of investing in early childhood.
2. Government investment should be redesigned to ensure the greatest possible impact on:
  - workforce participation, particularly among mothers of young children, and
  - learning and development outcomes for children, particularly for low-income families and vulnerable children.
3. The NQF must be supported and maintained.
4. Government investment must ensure the long-term affordability, accessibility, and sustainability of high-quality ECEC for Australian families.
5. A new single, streamlined universal payment should be implemented. Assistance should be simpler and should continue to be universally available to all families but with more assistance provided for low- and middle-income families. Building on the analysis undertaken for the Australia's Future Tax System review, we propose a payments system with the following design features:
  - **Simplify and streamline payments by combining the best elements of the existing system:** CCB, CCR, JET, and SCCB and GCCB should be combined into a single payment to make child care assistance simpler and more transparent.
  - **Design the payment to cover a percentage of fees for all families:** The new payment should be provided as a percentage of fees to ensure the rate of assistance is maintained over time and that it accommodates the wide distribution of child care prices in Australia.
  - **Use a cap to contain costs:** An appropriately set and indexed cap per child should be used to contain fees and costs to government. There may be different caps for families in different circumstances to reflect different costs of delivery (for example, a higher cap for nursery places).
  - **Provide universal assistance:** All families who meet the 'work, training, or study test' should receive a base percentage of fees for five days per week, consistent with current entitlements. The base rate should be consistent with current entitlements (that is, 50 per cent).
  - **Provide more assistance for low-income families:** Low-income families who meet the 'work, training, or study test' should receive a high percentage of fees (for example, 90-plus per cent) for five days per week to facilitate workforce participation and support the use of child care for early learning and development.

*This is the most efficient and administratively simple method to set the new payment and will be easy for families to understand.*

- **Ensure ECEC is accessible for children in low-income families:**

Low-income families who do not meet the 'work, training, or study test' should receive up to three days subsidised access to support their children's learning and development, consistent with current entitlements. Any additional days would be at the parents' expense.

- **Provide free ECEC for very vulnerable children:** Very-low-income families, at-risk children (including children known to child protection) should continue to receive free or almost-free assistance (for example, 100 per cent or 98 per cent), consistent with current entitlements.



- **Design a gradual taper rate:** The incomes tests and taper rates should support workforce participation for middle-income families by considering price elasticity and the impact of effective marginal tax rates. They should also give consideration to the number of children in each family.

## 6. Targeted assistance to support vulnerable children and families should be enhanced.

- **Government should ensure equity of access:** Assistance must ensure all children who are vulnerable or disadvantaged are able to access ECEC like all other children. Children living in remote areas or with additional needs must have appropriate access to high-quality ECEC, including where this would not otherwise be delivered by the market.
  - Ensuring equity of access may involve use of operational or supply-side funding that reflects additional costs of delivery or addresses the non-cost barriers that prevent participation by vulnerable and special needs children—including funding that facilitates integrating delivery of family support and health services with early learning and care.
- **The existing Inclusion and Professional Support Program should be maintained, enhanced and expanded:** Specific design features include:
  - **Inclusion support should be available to all children that need additional support to participate.** Reform the guidelines so that eligibility for additional support is based on an assessment by a relevant professional and funding is available for all children who are eligible.
  - **Fund all hours of participation:** Funding should be provided for all hours that a child attends a service to support inclusion, maintain quality for other children, and support parents' workforce participation.
  - **Increase the Inclusion Support Subsidy hourly rate:** The hourly rate of the subsidy should meet the cost of employing high-quality support workers.
  - **Ensure continuity of care:** Support should be maintained as a child transitions through ECEC. Current restrictions should be removed.

- 7. New flexible models of child care must: Come within the scope of the NQF; be trialled and assessed to ensure they are delivering learning and workforce participation outcomes; and be funded with additional investment.**
- **Quality is critical:** Any new models of ECEC that attract government investment, including in-home care or nannies, must be subject to the NQF.
  - **Build on the strengths of the long day care system:** In introducing new, more flexible models of care, there may be significant opportunities to build on the strengths of existing models—e.g. the facilities, staff, and community relationships of high-quality long day care services may be an effective hub to resource home-based models of care. Any changes to policy settings should support such approaches.
  - **Assess the learning and development and workforce participation impacts:** Eligibility for new flexible models and government assistance, including in-home care or nannies, should take into account the likely overall impact on increasing workforce participation. The relative size of these impacts should be assessed and compared to impacts of other options for reform and the overall costs, with a view to maximising workforce participation, and learning and development outcomes. Consideration should also be given to the impact the model of care has on the child’s learning and development. For example, considering the impacts very long periods of paid care have on children’s development and the benefits of group learning environments in developing school readiness.
  - **Additional investment:** Funding for these models should be additional investment over and above additional investment that is needed to ensure affordability for existing ECEC models. The effectiveness of new models should be trialled with consideration of learning development and workforce participation objectives.
- 8. A nationally consistent approach to preschool financing and access should be implemented from 2016, with an urgent one year extension of existing Universal Access National Partnership funding provided to cover the 2015 calendar year.**
- The national approach must encompass funding currently provided by state and territory governments and any ongoing universal access funding should cover the cost delivering the high-quality UA-preschool program regardless of setting (for example, stand-alone kindergarten, school, or long day care centre) and must also encourage participation in UA-preschool by disadvantaged children:
    - The current universal access arrangements should be reviewed to determine the best way to achieve these objectives. Goodstart suggests that per-child payments provided in Victoria, and additional payments (loadings) provided in Queensland, South Australia and the Northern Territory for disadvantaged children should be considered in the first instance. Goodstart also supports the capital funding programs provided by these states and territories as a way to raise the quality of the early learning environment.
    - Targeted additional payments for disadvantaged children are an effective way to promote participation by these children and these should also be considered as part of future funding for preschool. These can be an effective way to both reduce out-of-pocket expenses for families, and to deliver critical support services to address other barriers, such as language.
    - Stand-alone kindergartens/preschools should be able to access any new child care assistance payment provided they meet minimum opening hours requirements that support workforce participation.
- 9. Operational and administrative regulation should be streamlined.**
- 10. A framework to measure child outcomes should be developed for ECEC in Australia to build the evidence base.**

## Appendix 1

### Students attending pre-primary education: number of years and PIRLS reading scores 2011<sup>100</sup>

Country	Av. Score (Rank)	% >3 yrs PPE	Av. score	% 1-3 yrs PPR	Av. score	% 0-1 yrs PPE	Av. score	% did not attend	Av. score
Hong Kong	571 (1)	68 (11)	573 (3)	32	572	1	-	-	-
Russia	568 (2)	69 (10)	572 (4)	14	570	3	559	15	553
Finland	568 (3)	46	569 (5)	31	566	21	572	1	-
Singapore	567 (4)	64 (15)	580 (2)	34	554	1	-	1	-
North. Irel.	558 (5)	5	591 (1)	49	575	44	570	3	540
USA*	556 (6)	-	-	-	-	-	-	-	-
Denmark	554 (6)	81 (2)	558 (10)	17	544	2	-	-	-
Croatia	553 (7)	44	567 (6)	19	551	10	538	27	540
Chinese Taipei	553 (8)	38	561 (9)	56	551	4	538	1	-
Ireland	552 (9)	7	544	57	562	25	554	12	534
UK -England*	552 (10)	-	-	-	-	-	-	-	-
Canada	548 (11)	17	566 (7)	53	557	25	542	5	543
Netherlands	546 (12)	3	538	91	556	3	531	3	533
Czech Rep	545 (13)	68 (12)	549	28	543	3	551	1	-
Sweden	542 (14)	74 (7)	551 (12)	20	536	2	-	3	517
Italy	541 (15)	75 (5)	549	23	530	2	-	1	-
Germany	541 (16)	74 (6)	551 (13)	23	540	1	-	1	-
Israel	541 (17)	60 (16)	563 (8)	36	532	3	460	1	-
Portugal	541 (18)	45	549	37	544	8	533	9	522
Hungary	539 (19)	86 (1)	548	13	505	1	-	-	-
Slovak rep	535 (20)	65 (14)	546	24	530	8	515	4	489
Bulgaria	532	58 (18)	546	26	530	6	495	10	497
NZ	531	38	555 (11)	54	552	4	538	1	-
Slovenia	530	59 (17)	537	36	526	5	524	9	519
Austria	529	69	532	27	530	3	518	1	-
Lithuania	528	53 (20)	539	17	530	7	524	23	507
<b>Australia</b>	<b>527 (26)</b>	<b>15 (32)</b>	<b>550 (15)</b>	<b>55</b>	<b>547</b>	<b>26</b>	<b>531</b>	<b>5</b>	<b>520</b>
Poland	526	34	545	23	529	16	513	28	509
France	520	76 (3)	513	22	494	1	-	1	-
Spain	513	66 (11)	522	28	505	4	494	3	493
Norway	507	71 (8)	512	24	500	2	-	3	494

(\* No breakdown by years of pre-primary education, although the UK had 40.8% of 0-3 year olds enrolled in EC&C in 2008 and the US had 31.4% enrolled, compared to 29% in Australia)

<sup>100</sup> PIRLS 2011 p. 38, 128

## Appendix 2

### Key research evidence—the role of early learning and care in addressing vulnerability

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## Appendix 3

*Today in the Nursery*

*Monday 14/10/13*



Welcome to our room Harrison.



We were all very excited to go outside and play. We couldn't wait to get into the shed and pick out the toys we wanted to play with. This shows that we sense and respond to a feeling of belonging.



We pointed to the balls and the bikes.



We continued our texture awareness today by pulling and bouncing the balloons that were hanging down. Some had water in them and other had sand, this gives them a different feel and sound.



Some other things we enjoyed doing today were to use our problem-solving skills to work out how to put the puzzles back together and also how to use our gross motor skills to balance on the balance beam and the fort.



We had the musical instruments out and made some wonderful sounds.

To extend on their interest in music Tanya put the CD player on and the children started to dance with enthusiasm, energy and concentration as they held hands and moved around in circles.



When we came inside the cars and the people were placed out. Everyone enjoyed pushing the cars and moving the people about. This allowed us to show interest in others and be part of a group.

We have had a busy day in the Nursery following our own interests.



Love

from all in the Nursery ☺

**Where to from here?**

We will look at having more role play with the cars, car mat and look at adding farm animals as well.

We will continue to do dancing as this is a great idea for group interaction.

## Today in Nursery

Wednesday 16/10/13



Sue's husband Leon came in today to put together our potential sandpit. We were very curious as to what Leon was doing and why he was in our room. We were a little hesitant to go too close to Leon at the start but then we wanted to help. We demonstrated trust and confidence with Sue as we sought out her reassurance that Leon was ok. We were very helpful as we passed the screwdriver and the pieces of wood to Leon.



After Leon finished we climbed in to inspect his work. Sue then added the small balls for us and made it a ball pit. We showed humour, happiness and satisfaction as we giggled while we explored the balls and as we climbed in and out of the ball pit.





Because we enjoyed watching Leon and the tools so much, Tanya brought out the junior engineering set out for us to explore. We engaged in and contributed to shared play experiences as we sat together making things with the engineering set. We recognised our achievement as we showed Tanya and Jen what we made.



As we are still very interested in baby Rylan and Harrison a dolls experience was set up for us to explore. We explored aspects of identity through role play as we feed the dolls and put them to sleep.

Where to from here?
As we were very interested in the ball pit, plan for this experience again. Could also fill it with blocks, cars or a reading corner.
We were very interested in the junior engineering set, so we could repeat activity.
We are still engaged in the dolls experience, set out another dolls experience, could add high chairs, nappies and bibs.

We spent the whole morning going between the ball pit, building with the engineering set and the dolls set up.

What a wonderful day we have had. Love the Nursery 😊

## Appendix 4

### Summary of issues and inconsistencies in the early learning regulatory environment

#### Jurisdictional inconsistency

There are ongoing variations in the way that state-based regulatory authorities interpret and set requirements for approved providers and nominated supervisors to comply with the national law and regulations. This is not only captured in the state-based saving and transitional arrangements but throughout the regulation and Act. There is an opportunity to remove inconsistencies between state regulatory regimes that add to administrative complexity. Goodstart is in a unique position to provide a national perspective on the regulatory framework including implementation by the state and territory regulators.

#### ECT inconsistency between states.

- New South Wales does not have a provision for staff working toward a qualification to be considered qualified as all other jurisdictions do. This provision is only applied when a service in New South Wales provides care and education to 29 children or fewer.
- South Australia has the Teachers Registration Board who state:
  - An educator employed (contracted) as the centre's ECT (as required under the NQF) must apply for teacher registration.
  - All centre-based long day care services must identify who the centre's ECT is and this person must apply for registration.
  - These are not NQF requirements but are being advocated for by the state regulatory authority. The requirements are a result of amendments made to the *Teachers Registration and Standards Act 2004*.
  - The Western Australia Teacher Registration Board is looking to adopt similar legislative requirements from August 2014.
  - These employees are generally being paid at Diploma rates, are studying toward an ECT qualification, and under these requirements are required to pay a \$350 fee to be authorised to teach.
- To be eligible for universal access funding in Queensland, the ECT can be studying toward their qualification. In Victoria, they must be qualified and in South Australia they need to be qualified and registered. This relates to the NQF and Quality Area 1 of the NQS. In the assessment and rating process, for a centre to be eligible for an 'exceeding' rating in this quality area the service needs to be providing an approved preschool program or be providing access to an approved program.

From a workforce strategy, this limits our ability to engage in secondment opportunities for funded ECTs due to the different requirements across jurisdictions.

#### School-age care qualifications

There are no national qualification requirements for educators at centre-based services educating and caring for children who are over preschool age. State and territory qualification requirements (if applicable) continue

to apply. The following states and territories have qualification requirements which apply from 1 January 2012: Australian Capital Territory, Queensland, South Australia, Victoria, and Western Australia.

New South Wales has no qualification requirement for educators caring for and educating a stand-alone group of school-age children.

### **Child protection legislation**

Each state and territory has a separate Working With Children Check/Blue Card/Criminal Check requirement. This is a challenge to manage when considering secondment opportunities to manage workforce challenges. Some states and territories allow for a staff member to make an application and work, while others require staff to hold the check before commencing. This can take a number of months and cost approximately \$70–\$90. A casual staff member living on the border of Queensland and New South Wales, or New South Wales and Victoria, for example, could be required to hold multiple Working With Children Checks (or equivalent). States and territories should standardise their requirements for fitness and propriety of staff, allowing recognition of each other's processes. This would save considerable cost, and reduce the inconvenience for educators moving between states and for national employers.

There are also different legislative requirements of our educators under the relevant child protection legislation. In some states and territories, educators are considered mandatory reporters, but not in others.

### **Inconsistency in regulating different service types**

From 1 January 2012, the NQF was established under an applied laws system comprising of the Education and Care Services National Law and National Regulations. The NQF currently applies to long day care services, outside school hours care services, preschools (or kindergartens), and family day care services.

Although the above service types are all required to operate in compliance with the NQF, state-based regulatory authorities set different expectations/relaxations for different service types. For example, a kindergarten service previously not required to comply with the children's services legislation or participate in the previous Quality Improvement and Accreditation System have more flexibility in the provision of facilities and environments than a purpose-built long day care centre.

### **Certified Supervisor requirements**

Many long day care services do not have an abundance of sufficiently qualified staff to assume the responsibilities of Certified Supervisor when an educator undertaking this role becomes suddenly ill or unavailable due to personal circumstances.

Educators with a Certificate III qualification and studying towards a Diploma are deemed 'qualified,' yet cannot become Certified Supervisors unless they have three years' experience.

The length of time taken for Supervisor Certificates to be approved is 60 days; however, the onerous documentation required typically results in much greater delays.

A better approach to this is to abolish the Certified Supervisor requirements and focus on improving the Nominated Supervisor provisions. Legislation would specify the requirements for the Nominated Supervisor and require the approved provider to have the paperwork in place at all times that demonstrates their Nominated Supervisor meets the requirement.

### **Staffing waivers**

When qualified staff/teachers leave services, the centre is immediately considered to be in breach of the legislation. At times, there is no forewarning that a qualified staff member intends to leave a service, eliminating the opportunity to recruit for a position prior to the vacancy becoming available. State-based regulatory authorities have different requirements and expectations in relation to applying for and providing supporting documentation for staffing waivers, which can be burdensome and add significantly to administrative costs.

### **Service waivers for upgrades and capital works**

There is currently a 60-day-plus processing time on waivers, which can impact on the scheduling and commencement of upgrades/works. Inconsistent requests for information and delays in decisions by regulators often result in delays in commencing of work, which is an inconvenience for the contractors and centres. A simpler process is needed with a standard checklist of issues and documentation required to be provided during the renovations. Timelines for processing waivers also need to be reasonable for works to be completed.

### **Facilities**

The national legislation, including the Building Code of Australia, is not as detailed and specific as previous state-based legislation and development codes. This is very consistent with the current focus on outcomes rather than inputs, however this may be problematic when considering that best practice in the early years and outcomes for children may not be something that is autonomic with contractors and building practitioners, who are often utilising these documents to ensure compliance with facility requirements. A practical example of this is where the legislation refers to adequate numbers of toilets, hand basins, shade, natural light, fencing heights, sand pit depths, etc, when previously, specific numbers and calculations were provided. For example, specific allowances for shade per child was detailed in the Queensland Development Code, however the national legislation now refers to 'adequate shade'. Detail was provided in previous state-based legislation and the Queensland Development Code on the number of child-sized toilets and hand basins to be available for each child in attendance. Again, national legislation now refers to there being 'adequate facilities'. This can be challenging for providers to determine what is 'adequate' in the space of facilities, with decisions often then being challenged by the state-based regulatory authority as they are basing what they believe to be 'adequate' on previous legislation they were responsible for enforcing.

## Appendix 5

### Preschool variations by state and territory

#### Background

Preschool programs can be offered in stand-alone preschools and through the more integrated model offered by long day care centres (with qualified ECTs). The key differences are in the hours of operation and the sources of funding. Generally, a stand-alone preschool that may be co-located within a registered school site will have the same six hours of operation as schools (9am until 3pm) and, where programs are government funded, children are likely to attend on a rotational five-day fortnightly roster. Integrated long day care preschools are open for varied hours from 10 to 14 hours per day, and the educational experiences are usually spread across the entire day.

#### Funding available relating to the provision of preschool in Australia by state and territory, comparing 'sessional' vs 'preschool in long day care setting'

STATE/ TERRITORY	SUPPORT IF ATTENDING SESSIONAL KINDERGARTEN/ PRESCHOOL	EXAMPLES OF IMPACT	SUPPORT IF ATTENDING KINDERGARTEN/ PRESCHOOL IN LONG DAY CARE SETTING	EXAMPLES OF IMPACT
NSW	Sessional programs and community-based preschools funded under per capita funding model.	Currently the average preschool fee in NSW is around \$40 in metropolitan areas and \$30 per day in rural areas.	ECEC delivered in long day care settings not eligible for state government subsidy.	Goodstart is delivering a kindergarten program but parent and long day care service receives no financial contribution from the State Government within the universal access program.
	Additional funding for families that identify as Aboriginal and Torres Strait Islander or are low-income Health Care Card holders. This additional funding allows the service to reduce the barrier to preschool access, targeting these families.	Supports the agenda of inclusion and universal access	No additional funding	Lack of funding for social inclusion



STATE/ TERRITORY	SUPPORT IF ATTENDING SESSIONAL KINDERGARTEN/ PRESCHOOL	EXAMPLES OF IMPACT	SUPPORT IF ATTENDING KINDERGARTEN/ PRESCHOOL IN LONG DAY CARE SETTING	EXAMPLES OF IMPACT
			Approved child care eligible for CCB and CCR. Child must meet eligibility requirements as defined by Australian Government.	Approved child care claims of: <ul style="list-style-type: none"> <li>• up to 24 hours per child per week, available to all eligible families, or</li> <li>• up to 50 hours per child per week if: <ul style="list-style-type: none"> <li>• you or your partner (if applicable) are a grandparent with primary care of a grandchild (in child care)</li> <li>• you (and your partner) are working, looking for work, training, or studying for at least 15 hours per week (or 30 hours per fortnight), or</li> <li>• you (and your partner) have an exemption from that requirement</li> </ul> </li> </ul>
Vic	Per capita grant (\$3,091 per child per year) for all children.	A subsidy paid to kindergarten providers. Provider has decision as to how much of the funding to be used to reduce fees.	Per capita grant (\$3,091 per child per year) for all children when kindergarten is offered within long day care setting.  Approved child care eligible for CCB and CCR. Child must meet eligibility requirements as defined by Australian Government.	A subsidy paid to kindergarten providers. Provider has decision as to how much of the funding to be used to reduce fees.

STATE/ TERRITORY	SUPPORT IF ATTENDING SESSIONAL KINDERGARTEN/ PRESCHOOL	EXAMPLES OF IMPACT	SUPPORT IF ATTENDING KINDERGARTEN/ PRESCHOOL IN LONG DAY CARE SETTING	EXAMPLES OF IMPACT
Vic rural (per capita grants)	Per capita grant (\$3,821 per child per year) for all children.	A subsidy paid to a provider that is a non-government school. Provider has decision as to how much of the funding to be used to reduce fees.	NA  Approved child care eligible for CCB and CCR. Child must meet eligibility requirements as defined by Australian Government.	
Vic small rural (per capita grants)	Per capita grant (\$5,639 per child per year) for all children.	A subsidy paid to a provider that is a non-government school. Provider has decision as to how much of the funding to be used to reduce fees.	NA  Approved child care eligible for CCB and CCR. Child must meet eligibility requirements as defined by Australian Government.	
Vic Kindergarten Inclusion Support Service	Kindergarten Inclusion Support Services 15 hours—\$14,026.	Supports children with additional needs to participate in preschool for 15 hours per week only.	Kindergarten Inclusion Support Services 15 hours—\$14,026.	Supports children with additional needs to participate in preschool for 15 hours per week only. This is inadequate if children attend more than 15 hours per week.
Vic Kindergarten	Location grant—\$8,060.	Strengthens the delivery of universal kindergarten services	Location grant—\$8,060.	Strengthens the delivery of universal kindergarten services

STATE/ TERRITORY	SUPPORT IF ATTENDING SESSIONAL KINDERGARTEN/ PRESCHOOL	EXAMPLES OF IMPACT	SUPPORT IF ATTENDING KINDERGARTEN/ PRESCHOOL IN LONG DAY CARE SETTING	EXAMPLES OF IMPACT
Cluster Management	Establishment grant for each new location (15 per cent of location grant)—\$5,000.	across Victoria while facilitating strong local partnerships.	Establishment grant for each new location (15 per cent of location grant)—\$5,000.	across Victoria while facilitating strong local partnerships.
Qld	The subsidy for kindergarten providers <b>not</b> eligible to receive the Australian Government CCB payment on behalf of eligible families is \$2,514 per child per annum.	A subsidy paid to kindergarten providers. Provider has decision as to how much of the funding to be used to reduce fees.	The subsidy for kindergarten providers eligible to receive Australian Government CCB payments on behalf of eligible families is \$1,482 per child per annum. CCB and CCR still then applied to the family's total remaining fee.  Approved child care eligible for CCB and CCR. Child must meet eligibility requirements as defined by Australian Government. Total fee is calculated AFTER the universal access funding is applied.	A subsidy paid to long day care providers. Provider has decision as to how much of the funding to be used to reduce fees. Providers receive a lower amount per child in comparison to sessional kindergarten providers, despite the child more likely to need longer care.
Qld Low Socio-Economic Subsidy	For kindergarten services, this is a per child loading of 45 per cent (\$1,131.30) of the standard subsidy rate for services operating in locations within the bottom 20 percent of Statistical Local Areas (SLA) as identified using the Socio-Economic Indexes for Areas (SEIFA)** (SEIFA 1 and 2 areas) and a per-child loading of 30 per cent (\$754.20) of the standard subsidy rate for services operating	This subsidy is to reduce out-of-pocket expenses for parents.	For long day care services this is a per-child loading of 25 per cent (\$370.50) of the standard subsidy rate for services operating in locations within the bottom 20 per cent of SLAs as identified using the SEIFA (SEIFA 1 and 2 areas).	This subsidy is to reduce out-of-pocket expenses for parents. Parents receive a lower amount in comparison to sessional kindergarten providers, despite parents more likely to need longer care to enable them to work.

STATE/ TERRITORY	SUPPORT IF ATTENDING SESSIONAL KINDERGARTEN/ PRESCHOOL	EXAMPLES OF IMPACT	SUPPORT IF ATTENDING KINDERGARTEN/ PRESCHOOL IN LONG DAY CARE SETTING	EXAMPLES OF IMPACT
	in locations within the next bottom 20 per cent of SLAs as identified using the SEIFA (SEIFA 3 and 4 areas).			
Qld Health Care Card Subsidy	The Health Care Card subsidy is worth up to \$2,781*** per child per year to families accessing a kindergarten service.	This subsidy is to reduce out-of-pocket expenses for parents.	The subsidy is worth up to \$1,116*** per child per year for families accessing a kindergarten program at a long day care service.	This subsidy is to reduce out-of-pocket expenses for parents. Parents receive a lower amount in comparison to sessional kindergarten providers, despite parents more likely to need longer care.
WA	Sessional kindergarten delivered by government schools free of cost.	Hours of service limited to school hours, therefore does not support workforce participation by parents.	Commonwealth child care payments only.  ECEC delivered in long day care settings not eligible for State Government subsidy.	Goodstart is delivering a kindergarten program but parent and long day care service receives no financial contribution from the State Government within the Universal Access program.
SA	The level of the subsidy is linked to the Australian Bureau of Statistics SEIFA Index of Relative Socio-Economic Disadvantage (IRD) of the local government areas in which the service is located.	A subsidy paid to kindergarten providers. Provider has decision as to how much of the funding to be used to reduce fees.	The level of the subsidy is linked to the Australian Bureau of Statistics SEIFA Index of Relative Socio-Economic Disadvantage (IRD) of the local government areas in which the service is located.  Commonwealth child care payments.	A subsidy paid to long day care providers. Provider has decision as to how much of the funding to be used to reduce fees. Providers receive the same amount per child in comparison to sessional kindergarten providers, despite the child more likely to need longer care.

STATE/ TERRITORY	SUPPORT IF ATTENDING SESSIONAL KINDERGARTEN/ PRESCHOOL	EXAMPLES OF IMPACT	SUPPORT IF ATTENDING KINDERGARTEN/ PRESCHOOL IN LONG DAY CARE SETTING	EXAMPLES OF IMPACT
SA ABS SEIFA ratings	Disadvantage–Category Ratings Category 1 Providers in the lowest 20 per cent Category 2 Providers in the 21–40 per cent range Category 3 Providers in the 41–60 per cent range Category 4 Providers in the 61–80 per cent range Category 5 Providers in the highest 20 per cent	Subsidy Grant Amount		
			\$2,000 \$1,750 \$1,500 \$1,250 \$1,000	
SA Remote ARIA Subsidy	This \$500 subsidy is a per-child loading for preschool programs located in remote and very remote locations of South Australia as determined by the Australian Bureau of Statistics Accessibility Remoteness Index of Australia (ARIA).	A subsidy paid to kindergarten providers. Provider has decision as to how much of the funding to be used to reduce fees.	This \$500 subsidy is a per-child loading for preschool programs located in remote and very remote locations of South Australia as determined by the Australian Bureau of Statistics Accessibility Remoteness Index of Australia (ARIA).	A subsidy paid to long day care providers. Provider has decision as to how much of the funding to be used to reduce fees. Providers receive the same amount per child in comparison to sessional kindergarten providers, despite the child more likely to need longer care.
SA Targeted Child Subsidy	This \$1,500 subsidy is available for Aboriginal and Torres Strait Islander children, and children of families holding required cards. This subsidy is to directly advantage the child to which the subsidy applies through a reduction in fees for the family.	This subsidy is to directly advantage the child to which the subsidy applies through a reduction in fees for the family.	This \$1,500 subsidy is available for Aboriginal and Torres Strait Islander children, and children of families holding required cards. This subsidy is to directly advantage the child to which the subsidy applies through a reduction in fees for the family.	This subsidy is to directly advantage the child to which the subsidy applies through a reduction in fees for the family, however family will still have higher out-of-pocket costs than if they attended a sessional kindergarten.

STATE/ TERRITORY	SUPPORT IF ATTENDING SESSIONAL KINDERGARTEN/ PRESCHOOL	EXAMPLES OF IMPACT	SUPPORT IF ATTENDING KINDERGARTEN/ PRESCHOOL IN LONG DAY CARE SETTING	EXAMPLES OF IMPACT
SA Children with a Recognised Disability Subsidy	This \$2,500 subsidy is available for children who have a recognised disability or medical condition who need additional support to participate in preschool. The subsidy is available to children who are entitled to be issued with a Health Care Card with a CD (Child Disability) code.	Supports children with additional needs to participate in preschool for 15 hours per week only.	This \$2,500 subsidy is available for children who have a recognised disability or medical condition who need additional support to participate in preschool. The subsidy is available to children who are entitled to be issued with a Health Care Card with a CD (Child Disability) code.	Supports children with additional needs to participate in preschool for 15 hours per week only. This is inadequate if children attend more than 15 hours per week.
Tas	Sessional kindergarten delivered by government schools free of cost.	Hours of service limited to school hours, therefore does not support workforce participation by parents.	Commonwealth child care payments only.  ECEC delivered in long day care settings not eligible for State Government subsidy.	Goodstart is delivering a kindergarten program but parent and long day care service receives no financial contribution from the State Government within the universal access program.
ACT	Preschool is delivered free in ACT public preschool units and the Catholic Education Office schools and early learning centres.	Hours of service limited to school hours, therefore does not support workforce participation by parents.	Commonwealth child care payments only.  ECEC delivered in long day care settings not eligible for State Government subsidy.	Goodstart is delivering a kindergarten program but parent and long day care service receives no financial contribution from the State Government within the universal access program.
NT	All Approved Providers of three-year-old kindy services in the Northern Territory receive the NT Early Childhood Subsidy. The rate of \$20.20 is paid quarterly in	A subsidy paid to kindergarten providers. Provider has decision as to how much of the funding to be used to reduce fees.	Commonwealth child care payments.  All Approved Providers of long day care in the Northern Territory receive the NT Early Childhood Subsidy. The rate is \$27.37 for	A subsidy paid to long day care providers. Provider has decision as to how much of the funding to be used to reduce fees. Providers receive the same amount per child in comparison to sessional kindergarten providers, despite the

STATE/ TERRITORY	SUPPORT IF ATTENDING SESSIONAL KINDERGARTEN/ PRESCHOOL	EXAMPLES OF IMPACT	SUPPORT IF ATTENDING KINDERGARTEN/ PRESCHOOL IN LONG DAY CARE SETTING	EXAMPLES OF IMPACT
	advance based on projected utilisation.		under two and \$20.20 for over two; paid quarterly in advance based on projected utilisation.	child more likely to need longer care.

## Abbreviations

ACECQA	Australian Children’s Education and Care Quality Authority
AEDI	Australian Early Development Index
CCB	Child Care Benefit
CCR	Child Care Rebate
ECEC	Early Childhood Education and Care
ECT	Early Childhood Teacher
EYLF	Early Years Learning Framework
GCCB	Grandparent Child Care Benefit
IPSP	Inclusion and Professional Support Program
ISS	Inclusion Support Subsidy
JET / JETCCA	Jobs Education and Training Child Care Assistance
LDC	Long Day Care
NAPLAN	Natioanl Assessment Program – Literacy and Numeracy
NQS	National Quality Standard
NQF	National Quality Framework
OECD	Organisation for Economic Co-operation and Development
SCCB	Special Child Care Benefit
SEIFA	Socio-Economic Indexes for Areas



## Behind Goodstart

Goodstart was created by a partnership of organisations who saw the potential of early learning to transform Australia. They wanted to address one of the key sources of many future problems—poor early childhood experiences.

It made perfect sense for these groups to pool their energy and invest in early learning to fix the root cause of so many social problems.



The Benevolent Society is Australia's first charity—an independent, non-religious, non-profit organisation with nearly 200 years' experience of driving positive social change. It makes a difference every day by helping people to break down the barriers that prevent them from participating fully in society. Its goal is to improve quality of life for all Australians by building connected, inclusive communities where everyone feels they belong.



Social Ventures Australia (SVA) was established in 2002 as an independent non-profit organisation. SVA invests in social change by helping increase the impact and build the sustainability of those in the social sector.

SVA's investments are focused on high-potential organisations that are fostering solutions to some of the most pressing challenges facing our community. It provides funding and strategic support to carefully selected non-profit partners, as well as offering consulting services to the social sector more broadly.



The Brotherhood of St Laurence began during the Great Depression, as the vision and creation of Father Gerard Tucker, a man who combined his Christian faith with a fierce determination to end social injustice.

Based in Melbourne, but with a national profile, the Brotherhood continues to work for an Australia free of poverty.

The organisation undertakes research, develop and deliver services, and engage in advocacy. The Brotherhood's aim is to address unmet needs in innovative ways and translate learning from research and services into new policies, new programs and practices that can be implemented by government and others.



Mission Australia is a Christian community service organisation that has been transforming the lives of Australians in need for more than 150 years.

Today its 550 community and employment services assist more than 300,000 people nationwide by providing a hand up, a way forward and hope for the future.

The organisation strengthens families, empowers youth, strives to solve homelessness and provides employment solutions. Working with government, corporate Australia, churches and the wider community, Mission Australia aims to create a fairer Australia for all.