



**Early Childhood  
Australia**  
A voice for young children

**National Office** PO Box 86, Deakin West ACT 2600

**T:** 02 6242 1800 **F:** 02 6242 1818

**E:** [eca@earlychildhood.org.au](mailto:eca@earlychildhood.org.au)

**W:** [www.earlychildhoodaustralia.org.au](http://www.earlychildhoodaustralia.org.au)

**Patron** Her Excellency Ms Quentin Bryce AC  
Governor-General of the Commonwealth of Australia

**ABN** 44 950 767 752

## Submission from Early Childhood Australia to the Senate Education and Employment References Committee

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Inquiry into the immediate future of the childcare sector in  
Australia

Inquiry into the delivery of quality and affordable early childhood  
education and care services

March, 2014

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### Early Childhood Australia State and Territory Branches

**ACT** PO Box 396, Woden ACT 2606 **NSW** PO Box 24, Erskineville NSW 2043 **NT** PO Box 41936, Casuarina NT 0811 **QLD** PO Box 685, Spring Hill QLD 4004  
**SA** PO Box 380, North Adelaide SA 5006 **TAS** PO Box 306, Sandy Bay TAS 7006 **VIC** PO Box 2080, Richmond Sth VIC 3121 **WA** 275 Abernethy Rd, Cloverdale WA 6105

### *Contact*

Samantha Page, CEO Early Childhood Australia

Email: [spage@earlychildhood.org.au](mailto:spage@earlychildhood.org.au)

Phone: (02) 6242 1800

### *About Early Childhood Australia*

Early Childhood Australia (ECA) has been a voice for young children since 1938. We are the peak early childhood advocacy organisation, acting in the interests of young children, their families and those in the early childhood field. ECA advocates to ensure quality, social justice and equity in all issues relating to the education and care of children from birth to eight years.

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## 1. Introduction

The Productivity Commission is currently examining all aspects of the current early childhood education (ECEC) system through its Inquiry into Child Care and Early Childhood Learning. ECA regards that Inquiry as a significant opportunity to examine all the aspects of the current ECEC system and identify systemic improvements that will serve the best interests of children and families in the future.

We welcome the concurrent Senate Education and Employment Reference Committee Inquiries as another opportunity to continue public dialogue on reforming Australia early childhood education and care system while the Productivity Commission continues its work. There are also significant proposed changes to the *National Quality Framework* (NQF) which we believe the Committee should review on an ongoing basis.

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

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

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

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

The conditions for quality ECEC have now been established through the NQF, which is based on the cogent body of evidence on the positive effect of high-quality early childhood education on children’s cognitive development, social/emotional resilience and capacity for life-long learning. While there is the capacity to improve and streamline the NQF, the fundamentals are strong and must remain.

There has been significant growth in the early childhood sector over the past decade, driven by increasing demand as more and more parents return to work before children enter the school

system. The number of children attending some form of ECEC is now more than one million and it is predicted that this growth will continue. Despite the rate of growth there are some areas where supply is not keeping up with demand, resulting in families having difficulty accessing services local to where they live or work. This 'market failure' often occurs in areas where the cost of securing premises or building facilities is prohibitive, making a new service venture high risk.

Commensurate with the growth in utilisation, there have been substantial increases in the child care assistance paid largely to families, by the Federal Government. This assistance is an important social investment. It delivers immediate economic benefits by supporting workforce participation, particularly amongst women; but the medium and long-term benefits are more profound with quality early learning opportunities for children linked to better educational outcomes long term, enhanced social and emotional skills that last a lifetime.

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

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

## 2. Outcomes for children

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

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

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

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

The Council of Australian Governments (COAG) initiated major reform in 2009, recognising that there is a solid body of research evidence demonstrating a direct connection between the quality of early childhood services and long-term outcomes for children. The *National Quality Standard* (NQS) sits at the heart of this reform and provides, for the first time in Australia, a national system of quality assurance. This replaced previous systems involving separate and disjointed state/territory regulations with a national approach to quality improvement.

## 2.1. Determinants of quality

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

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

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

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

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

## 2.2. Staff to child ratios

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



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

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

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

**Figure 1: Comparison of staff-to-child ratios**

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

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

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

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

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

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

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

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

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

### 2.3. Staff qualifications

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

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

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

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

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

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

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

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

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

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

#### **2.4. Physical environment**

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

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

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

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

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

#### **2.5. Parent education and engagement**

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

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



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

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

### 3. The National Quality Framework

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

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

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

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

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

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

- by 1 January, 2016, moving to staff to child ratios of 1:11 for children between 36 months and school age in long day care
- by 1 January, 2020, ensuring a second early childhood teacher or another suitably qualified leader is in attendance for at least half the time the service is being provided, and where there are more than 80 children, the teacher is in attendance whenever the service is being provided.

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

### **1.1. Regulatory burden**

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

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

Some degree of certainty regarding the NQF is important to ensure that services can continue to make important investment decisions and undertake planning for the future.

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

The negative nature of some public discussion and media coverage of the NQF warrants close scrutiny. Much of this coverage focuses on a few ‘hot button’ issues, such as ‘regulatory burden’ and

the new requirements for early childhood qualifications. This conclusion is supported by ACECQA research, which shows that ‘documenting children’s learning’ is perceived by many educators as a highly burdensome ‘administrative activity’ (ACECQA, 2013b).

Yet, many of these ‘administrative activities’ are not simply red tape, but are paramount to children’s early learning, safety and wellbeing. These include:

- Quality Improvement Plans (QIP)
- assessing children’s learning
- assessment and ratings
- understanding the National law and Regulations
- supervisors responsible for the duty of care of children
- maintaining policies and procedures
- provider and service approvals
- qualifications and assessments
- keeping records
- notifications
- temporary and service waivers

### **3.1. Maintaining children’s safety and wellbeing while reducing regulatory burden**

Children’s safety and wellbeing is paramount, and this is reflected in much of the regulation that is placed on the early childhood sector. It is concerning to that some parts of the sector are advocating for a removal key regulations which exist to protect children who are placed in their care. However, there are some areas of the regulations which can be improved without compromising children’s safety and wellbeing. ACECQA has already begun working on some of these areas as part of its administrative functions in assisting to reduce regulatory burden. They propose to bring forward changes to the officials working group ECDWG, auspiced by the COAG Standing Council for School Education and Early Childhood (SCSEEC).

Some particular areas which ECA believes there is scope to change include:

- removing supervisor certificates and placing the legal onus on the approved provider to identify a responsible person.
- review the interaction between each NQS element and standard for the quality rating result at the quality area level.
- remove any areas of duplication between the NQF and Family Assistance/CCB requirements as well as other Commonwealth, state and territory funding.

ECA supports the proposal of measures to streamline the NQF which do not affect children’s interests. However, SCSEEC makes the Education and Care Services National Law and Regulations which is adopted as applied legislation in most jurisdictions. While this is expeditious, and allows for



consistent national reform agreed by all Ministers, we would like to see more consultation with the sector in relation to the amendments. These amendments may have significant impact on the sector and the interests of children so it is important to ensure that there is appropriate ongoing oversight.

Any draft legislation should be consulted on with the sector prior to their assent by the Standing Council. Given the imperative of a national approach to quality we support national consultation rather than at the state level which has the potential to lead to differing outcomes. One way of doing this may be regular referral to the Senate Education and Employment Committee to hold National Inquiries into any future changes proposed to the Education and Care Services National Law and Regulations.

This is particularly relevant as we expect changes to the National Law and Regulations to come from a variety of different sources over the course of this year:

1. Amendments recommended by ACECQA to SCSEEC
2. Amendments recommended by the Commonwealth and or states and territories to SCSEEC
3. Amendments recommended by Productivity Commission and brought forward by the Commonwealth to SCSEEC.

### **3.2. Recognition of early childhood teachers under the National Law**

There have already been significant proposed changes to the NQF in relation to the recognition of staff as early childhood teachers. Our understanding of the proposed changes are:

- a. staff that have completed 50 per cent of an early childhood teacher degree qualification can be counted as an early childhood teacher
- b. staff with a primary teaching qualification with a focus on children aged 5 to 8 years old will be recognised as equivalent to an early childhood teacher.
- c. staff with a diploma-level qualification can be counted as an early childhood teacher.

As a transitional measure we agree with parts (a) and (b) assuming that after the transitional period it is necessary to hold a qualification which is focused on children birth to five. This is consistent with 'working towards' exemptions for diploma and certificate III qualifications which end in 2016.

However, part (c) is not supported. This will have a significant impact on the quality of early learning programs being delivered to children and not provide impetus for staff to study and attain a degree qualification during the transitional period. The research shows that degree early childhood teachers have significant positive impact on children's outcomes, which is why the requirement of a teacher was established by the NQF in the first place.

### 3.3. Policies and procedures

It is incumbent on all organisations that work with children to maintain strong policies and procedures that ensure that children remain safe and well at all times. The Royal Commission into Institutional Responses to Child Sexual Abuse Public Inquiry into the Response of YMCA NSW to the conduct of Jonathan Lord demonstrates the consequences of the failure to maintain policy and procedure consistent with best practice, to ensure that ECEC staff are aware of these policies and that these are put into practice.

### 3.4. Assessing children's learning and development

Assessing children's learning is essential to professional early childhood practice. It should not be considered an administrative or regulatory burden, but critical to the understanding of children's development. Without observing and documenting the process or progress of children's learning it is very difficult for the educators or teachers to meet the child's learning needs.

Noticing meaningful learning encounters and then collecting this information in a number of ways enables us as educators to fulfil that promise we make to children and their families when they become a part of our services—that we will 'extend and enrich children's learning from birth to five years and through the transition to school' (Australian Government Department of Education, Employment and Workplace Relations [DEEWR], 2009a, p. 5).

Noticing and recording learning provides an information base that enables educators to successfully analyse and plan for children's learning. Without thoughtful noticing and recording, educators are in danger of offering experiences to children because 'this is what has always been done' or making assumptions about what children know, can do and are interested in. This can lead to programs that are mediocre at best where children (and educators) are bored and disengaged.'

It is clear that some of the perceived 'administrative' or 'regulatory' burden associated with the NQF is generated by a poor understanding of actual requirements. For example, the NQS requires educators to prepare 'documentation about each child's program and progress', but does not mandate a particular type of documentation, or how often observations and documentation should be produced (ACECQA, 2011).

Under the NQS, 'each child's learning and development is assessed as part of an ongoing cycle of planning, documenting and evaluation' (Element 1.2.1). The requirement for documentation is just one part of a bigger picture, in which documents about children's learning and development help educators to plan the program, meet each child's needs, and engage with families. Some educators are placing too much emphasis on documentation, rather than engaging in teaching. As early childhood expert Anne Stonehouse puts it,

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

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

### 3.5. Sector development and support

Many of the challenges with the NQF implementation can be addressed through sector development initiatives in the areas of workforce development and professional development. As the Productivity Commission (2011) noted in its Inquiry into the Early Childhood Development Workforce:

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

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

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

### 3.6. Workforce development and professional training

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

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

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

- Recognition of prior learning initiatives
- National Partnership on TAFE Fee Waivers for Child Care Qualifications
- HECS/HELP Benefit
- National Workforce Development Fund.

The National Early Years Workforce Census will provide further evidence regarding how these programs are assisting the sector to meet its workforce training needs. This Report has not been released by the Government.

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

ECA also recognises that ACECQA publishes guides, practice notes and resources to assist parents and the community and to support the education and care services sector in understanding the NQF and the application of the National Law. However, we do not support calls from some parts of the sector for ACECQA to define 'best practice' or produce templates that would constitute a 'tick a box' approach to achieving a particular rating. What is considered best practice should remain flexible and be driven by the sector over time.

### 3.7. Assessment and ratings

Many Early Childhood services are concerned that they have been rated 'Working Towards NQS' under the *National Quality Standard*. These concerns have been driven, in large part, by widespread, poorly informed media coverage of the assessment ratings. As at 31 December 2013, 40 per cent of services assessed had received a rating of 'Working Towards' (ACECQA *NQF Snapshot Q4 2013*, Feb 2014). However, this is entirely in keeping with expectations: if all services met the NQS on their first assessment, it would suggest that the Standard was far too low.

The aim of the *National Quality Framework* is to 'raise the bar' on the quality in early childhood education and care services in Australia. Receiving a rating of 'Working towards NQS' rating should

indicate that a service is engaged in a process of continuous improvement under new, higher standards. As ACECQA's website explains to families:

*When developing the National Quality Framework, the Australian, state and territory governments agreed standards must be set very high and allow room for continuous improvement.*

*All services should aim to be Meeting or Exceeding the NQS. However, it is realistic to expect that during the transition period to the new system some services will need to improve in certain areas.*

*If a service receives an overall rating of Working Towards, it means the service has not met at least one of the 58 elements in the NQS.*

*Working Towards does not mean that the service has failed to meet any of the requirements that pose a risk to the health and safety of children. In fact, a service may be Exceeding in a number of quality areas and receive an overall rating of Working Towards.*

*It may take time for services to meet each element required in the new higher standards, which will result in a Meeting or Exceeding NQS rating. This is why the rating of Working Towards is important during the transition phase of the NQF and is expected to apply to many services.*

Under the National Childcare Accreditation Council (NCAC) accreditation, the standard of many early childhood services remained poor across many areas measured.

It should be remembered that in the last reporting period under the NCAC (1 January–30 June 2011), many Australian child care services which received an accreditation decision were not even meeting accreditation under the lower standards expected:

- Each child's learning is documented and is used in planning the program—19 per cent were unsatisfactory
- The program assists each child to be a successful learner—21 per cent were unsatisfactory.
- Staff act to protect each child—11 per cent were unsatisfactory.
- The centre ensures that buildings and equipment are safe—13 per cent were unsatisfactory.
- Staff ensure that potentially dangerous products, plants and objects are inaccessible to children—19 per cent were unsatisfactory.
- Staff implement effective and current food safety and hygiene practices—23 per cent were unsatisfactory.

- Staff encourage children to follow simple rules of hygiene—20 per cent were unsatisfactory.
- Staff ensure toileting and nappy changing procedures are positive experiences—27 per cent were unsatisfactory.
- Staff support each child’s needs for rest, sleep and comfort—25 per cent were unsatisfactory.
- The centre acts to control the spread of infectious diseases and maintains records of immunisations—15 per cent were unsatisfactory.

The problem with NCAC system was that once a service had been accredited there was not pathway to reflect on quality and improve practice before the next assessment. It was ‘tick and forget’ approach to accreditation.

Of course, many services have started at a rating of ‘Working Towards’, but—importantly—they have the opportunity for reassessment within 1 year, which enables the service enough time remediate any short term issues. We expect that as services improve their quality (and therefore their ratings), the initial concern experienced by some services regarding this rating will dissipate.

We strongly support the work conducted by ACECQA to inform both the media and families about the nature of the assessment system and the meaning of the individual ratings. These efforts should be expanded, in order to ensure that rating information achieves its goal: to stimulate discussion between families and services about what is happening within services, by explaining the elements of high quality, and how the service is improving its standards.

Of course, many services have started at a rating of ‘Working Towards’ reflecting the high bar expected under the NQS. Services with this rating should not feel like this is a failure, especially when it is an opportunity for the service to demonstrate how it is addressing areas in need of improvement. The opportunity for reassessment is provided within 1 year, which enables the service enough time remediate any short term issues. We expect that as services improve their quality (and therefore their ratings), the initial concern experienced by some services regarding this rating the will dissipate.

The risk of adverse media once every quarter, on the release of the ACECQA Snapshot, does not justify the cover up of important information for families about the quality of early childhood education and care services. The rating information is published precisely to stimulate discussion with parents with services about what is happening within services, by shining a light on quality, and how the service is improving its standards. Low quality and poor practice occurs when services are not prepared to engage in a discourse about the quality of their service.

The quality of ECEC services is not just reflected to parents in the services ‘overall rating’. In fact the breakdown of the service’s rating across all seven quality areas must be displayed at the early childhood service under the Education and Care Services National Regulations. If the overall rating

did not reflect that rating across all seven quality areas then there would be no impetus for quality improvement by services in those areas where the service is doing less well. However we do recognise that the relationship between each of the NQS elements, the NQS and the NQS quality areas should be reviewed.

### **3.8. Self-reflection and improvement**

Services' ongoing reflection on their progress towards the NQS is important. That is why Quality Improvement Plans have been put in place, so that the service plan against the NQS and monitor progress against the plan as it is put into practice.

The purpose of the Assessment and Ratings process is primarily diagnostic, allowing services to identify where improvements need to be made, which can then be reflected in updates to quality improvement plans; ie a process of continuous improvement. This does not mean that assessors must specify what needs to be changed in order to attain a higher rating, as quality under the NQS may be reflected differently in every service; rather it means that areas for improvement are identified.

There have been suggestions that services should self-rate themselves as an alternative to the current assessment and ratings process. This would be a duplication of the existing QIP process and ECA believes that the integrity of the current system requires independent advice on progress against the NQS. While there are consistency issues in the current assessment and ratings process, we believe that the Regulatory Authorities are best placed to provide a consistent assessment against the NQS using a common assessment tool. In contrast, self-assessment would be subjective and ratings would be based on varying understandings of best practice across services.

The Assessment and Ratings process was also put in place to assist parents to understand the quality of each early childhood service. Parents expect an independent advice on the quality of early childhood services provided by a legitimate body such as Regulatory Authorities. The ratings are meant to be a comparative tool, enabling parents to make a judgement based on a consistent appraisal of quality. This would not be possible under ratings provided by the service which would fail to give parents the legitimate expectation that their children are accessing quality early childhood education and care in a safe environment.

### **3.9. Consistency issues**

The NQF was introduced to both raise the quality of care and education to children and enhance consistency across jurisdictions. There is improvement to be made to deliver consistent assessments across jurisdictions. This is reflected in the unequal distribution of ratings across jurisdictions which we suggest is related to both the varying level of quality across jurisdictions as well as different approaches to assessment and ratings by Regulatory Authorities. Improving consistency between jurisdictions is a primary function of ACECQA and should continue to be pursued vigorously.

### 3.10. Outside school hours care and the NQF

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

### 3.11. Rural and remote

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

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

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

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

### 3.12. Service waivers and temporary waivers

Waivers have been in place long before the introduction of the NQF and were part of the state based licensing regimes. They play an important role in allowing a service to remedy staffing and



environment issues, where the service would otherwise be in breach of the regulations and the NQS. Other policy reasons include:

- that the service is transparent about the breach of the regulations so they can be recorded and monitored
- the issues are remedied within a reasonable period of time.
- measures are taken to protect children’s wellbeing and safety while the waiver is in place

Some parts of the sector have argued for the removal of the requirement to seek temporary waivers for failing to meet the requirement of employing an Early Childhood Teacher. Yet it is now approaching four years since the decision was made by all Australian governments to require a teacher in all Long Day Care Centres over 25 places. Most services are meeting these requirements and there is no strong policy reason to allow services which are not meeting the staff requirements ongoing exemption from the regulations. The most recent figures from ACECQA show that only 3.24% of services had waivers for staffing requirements.

**Figure 2: ACECQA Snapshot Q4 2014**

State	Staff waivers (service and temporary)	Number of services	Proportion of services with a staff waiver
ACT	20	315	6.35%
NSW	147	4785	3.07%
NT	21	208	10.10%
QLD	54	2666	2.03%
SA	37	1129	3.28%
TAS	12	225	5.33%
VIC	60	3814	1.57%
WA	107	974	10.99%
TOTAL	458	14116	3.24%

The NQF requirement for an early childhood teacher to be employed for 25 preschool children or more is in direct response to the evidence from the report for the Effective Provision of Preschool Education (Siraj-Blatchford et al, 2003). The best outcomes for children are achieved in programs provided across the long day and which integrate care and education, are led by a qualified early childhood teacher and where children attend for two to three years. This model is strongly

demonstrated in long day care services where a teacher leads the program and is employed across the long day. ECA notes the concerns of the Melbourne Institute (2011) with regard to ‘loop holes’ to qualified educators and teachers under the NQF and that the provision is fundamental to education outcomes.

ECA believes that service and temporary waivers are important to encourage services to continue to strive to meet the NQF Requirements, particularly for Early Childhood Teachers which the research is shows is fundamental to delivering quality early childhood learning programs. The waivers ensure that services are continuing to maintain effort to recruit a teacher to meet the requirements even if they cannot recruit one at the present time.

However, noting the ongoing shortage of early childhood teachers in rural and remote Australia ECA supports the removal of fees for a certain period of time for temporary waivers which concern the employment of an Early Childhood Teacher.

### **3.13. Quantifying the cost of quality regulation**

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

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

Access Economics modelled the impact of the National Quality Agenda on fees at the time of the COAG decision on the National Partnership (COAG, 2009). The modelling of the NQF associated with the Productivity Commission’s Inquiry into the Early Childhood Development Workforce challenged this modelling, but the Government noted that the Commission did not take into account the staggered implementation approach of the reforms.

The actual data released on the cost impact of the NQF is provided in the *Child care in Australia* report (DEEWR, 2013, p.7). This data shows a total average fee increase between September quarter 2011 and September quarter 2012 has been approximately 50 cents per day, of which approximately 45 cents would be accounted for by trend growth (assuming annual growth of 6.9 per cent, as shown in Figure 2). A 50 cent per day impact (5 cents per hour for a 10 hour day) is less than the Access Economics' estimate of an increase of approximately \$1.07 per day between 2011 and 2012.

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

We do not think there is any reason to believe that aggregate cost increases will be substantially higher than the modelling suggests in the original Regulatory Impact Statement for the National Quality Agenda (COAG, 2009).

The only reliable aggregate data on child care fees is that provided by every CCB approved service through the Government's Child Care Management System (CCMS). Some of this data was released for the first time in the *Child care in Australia* report (DEEWR, 2013) and is now being released through the quarterly *Child Care and Early Learning Summaries*. ECA supports the regular release of this information to ensure maximum transparency, and enhanced analysis on the actual cost impact of the NQF as the implementation progresses.

While much of the focus of the costs of the NQF has been on the short term impacts, the real benefits of improved outcomes for children and the broader Australian society and economy have not been modelled in detail. Any cost-benefit assessment of the NQF must take into full account both the short-term and long-term effects of investing in high-quality ECEC. This is not to dismiss the concerns of ECEC service providers who are struggling with supply-side costs (perhaps caused by multiple factors); rather, we are seeking a national-level analysis of the prospects of the NQF, which incorporates the views of service providers during this introductory phase, but also looks to the future.

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

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

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

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

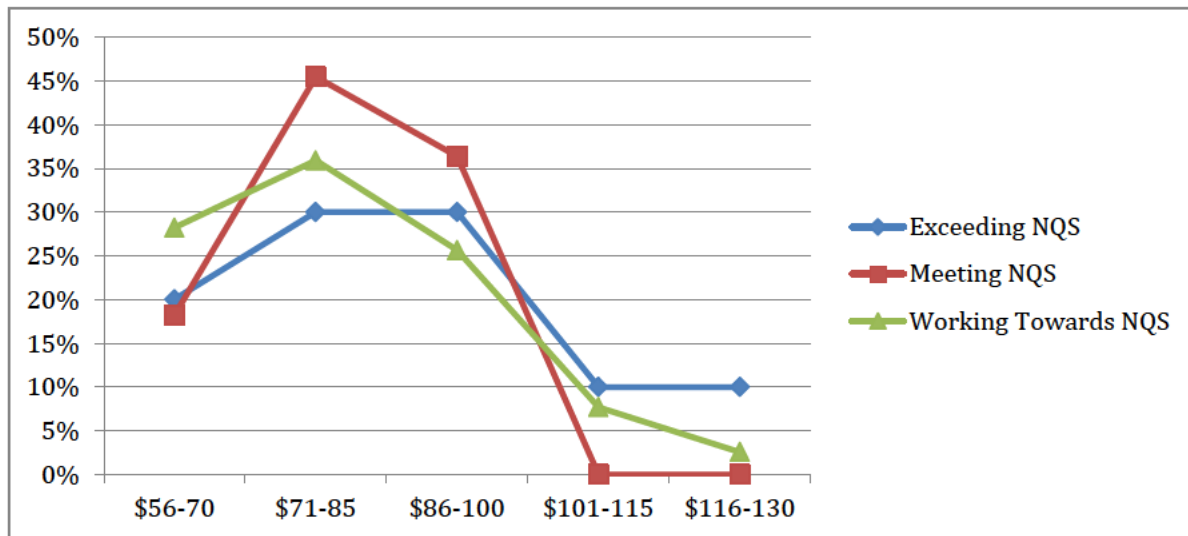
### 3.14. Analysis on fees and quality ratings

ECA has examined the fees charged by long day care services<sup>2</sup> in the ACT and NSW to compare this with their assessed quality ratings to determine if higher quality ratings have a direct correlation with higher fees. Although the sample is small (60 services), the results indicate that higher daily fees are not obviously, or strongly correlated with higher quality assessment ratings. In this sample the services with the highest quality ratings are not charging higher daily fees and those with the lowest quality rating are not charging lower fees. A wide variation in fees is apparent across all ratings.

#### Figure 3: Proportion of services by fees charged and quality rating

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



**Figure 4: Proportion of services by rating, across fee brackets**

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

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

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

### 3.15. Educator remuneration

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

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

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

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

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

## 4. Increasing the participation of children in ECEC

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

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

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

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

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

### 4.1. Implementing Barcelona targets in Australia

Australia is currently not meeting either of the Barcelona targets.

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

### Figure 5: Barcelona targets

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

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

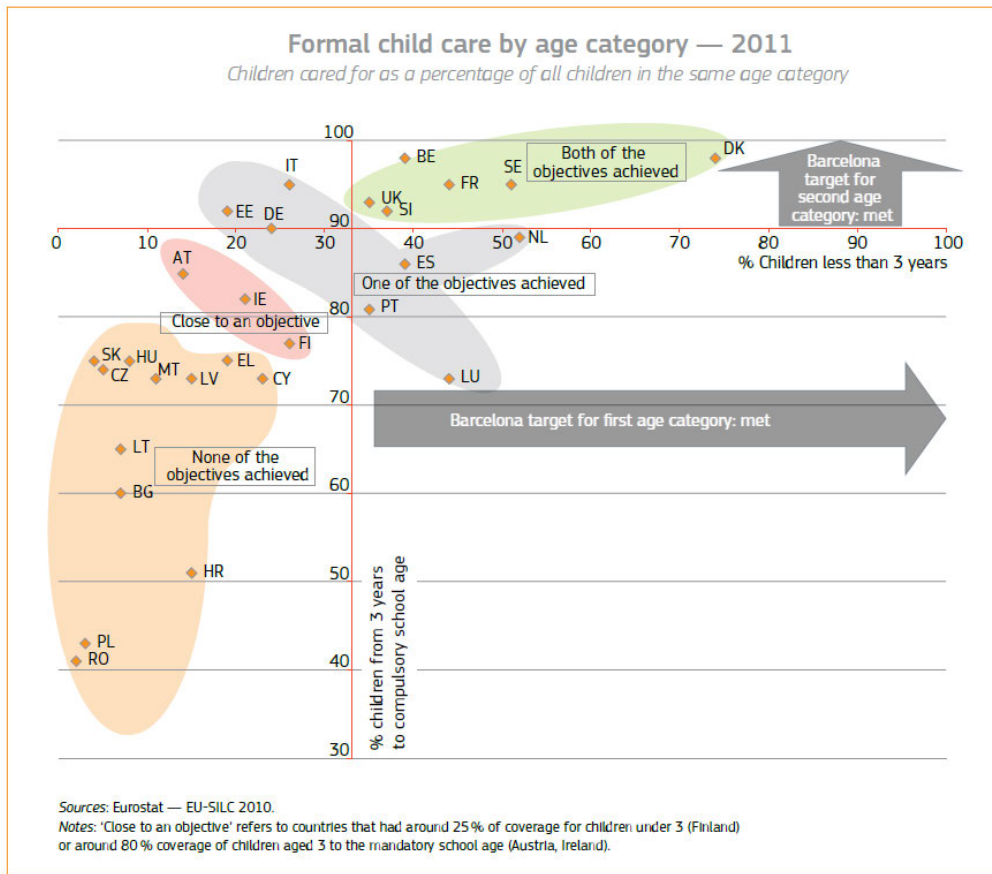
- at least 90 per cent of children between three years and the mandatory school age
- at least 33 per cent of children under three years of age.

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

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

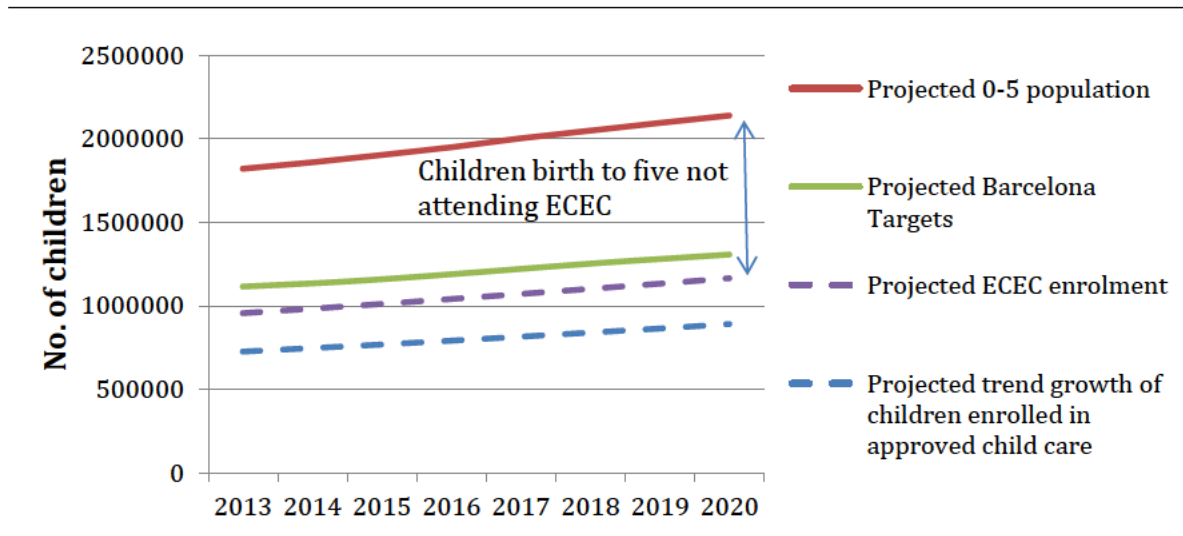
Ten European member states had achieved the Barcelona objective for children under three in 2010. Eleven member states achieved the older children's objective of 90 per cent.





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

#### *Australia's ECEC participation rates*



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

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

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

Currently there is no national planning mechanism or agreement in place across the three levels of government (federal, state and local) to address this. The provision of ECEC is entirely dependent on

market forces. ECEC is such an important service that families need and expect to be able to access that we believe there should be a national approach to planning and influencing service provision. Ideally, this would include investment in predictive models to identify where demand is likely to fluctuate over a 5–10 year horizon which could be used by the sector to plan for growth or contraction at the local level.

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

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

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

## 4.2. Affordability

ECA supports a significant reshaping of government funding for ECEC.

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

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

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

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

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

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

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

Professor Brennan has proposed several models of streamlining and targeting ECEC subsidy.

### **Early Learning Subsidy Option 2- Uncapped**

Main features:

- Single payment to be called the Early Learning Subsidy (ELS)
- 90% of the fee charged to be covered by ELS for families under the current CCB lower income threshold
- ELS tapers down to a base rate of 50% for families over the current CCB upper income threshold (subject to meeting the work training study test)
- ELS to cover 100% of reasonable fees for families holding Health Care Cards

- Special ELS to cover the full fee for children at risk of abuse and neglect regardless of parental workforce participation (similar to Special CCB)



The *Brennan Report* does not address the cost of the model, or modelling of its economic impacts, because that work is beyond the capacity of the project.

#### 4.3. Structural issues with child care subsidies

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

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

- the indexation of the CCB thresholds
- the CCR percentage
- the interaction between the CCB amount and the CCR
- the cap on the CCR
- the indexation of the CCR cap.

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

#### 4.4. Price inflation

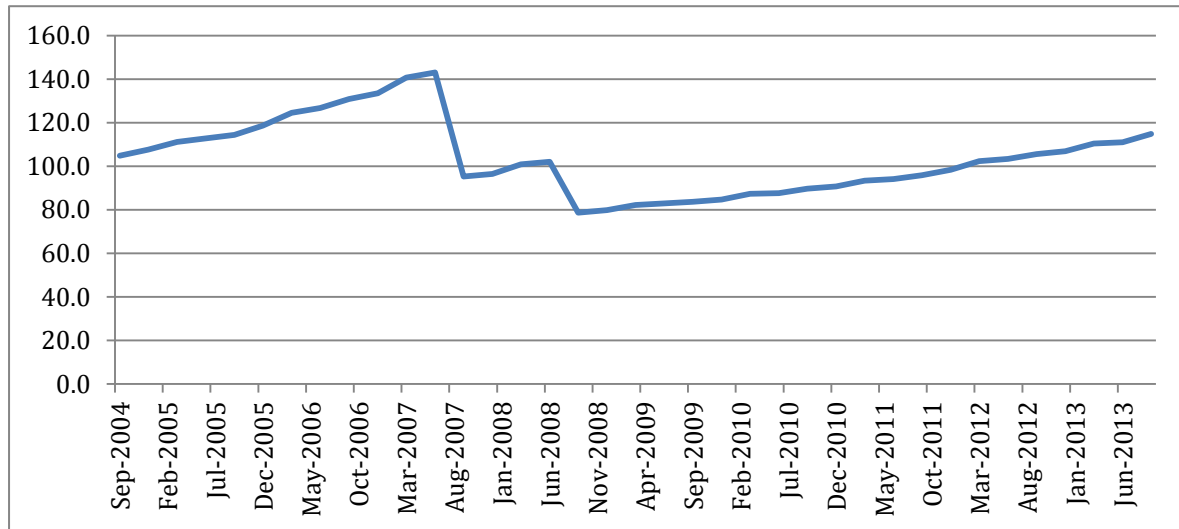
Measures to increase child care affordability introduced by successive governments have been successful at reducing the out-of-pocket costs for families. However, child care prices are rising over time and this has eroded the impact of affordability measures. As has been noted there are a range of structural issues preventing growth in subsidies to meet these increases. However, child care fees are still less expensive than they were directly prior to these measures being introduced.

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

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

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

### Net child care CPI



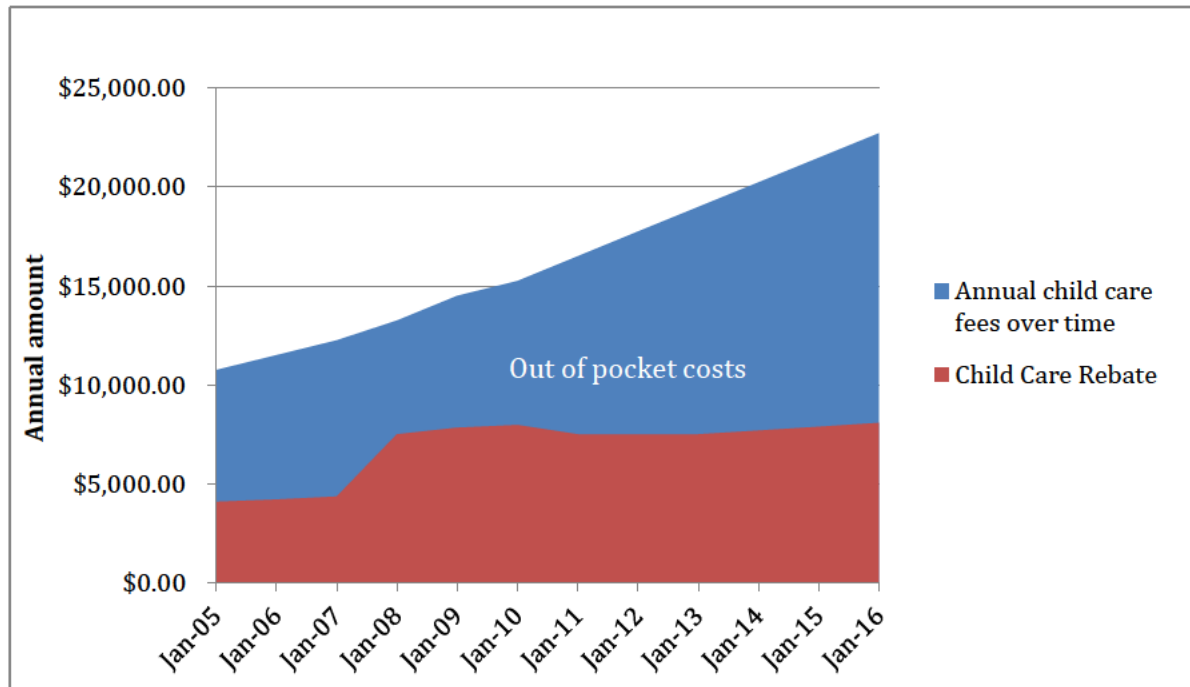
### 4.5. Indexation

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

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

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

*Full-time costs and subsidy for a family earning over the CCB income threshold*



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

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

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

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

<sup>3</sup> ACT Government, 2013–2014 Budget Paper No. 3, p. 135.



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

#### **4.6. The Child Care Rebate cap**

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

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

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

Due to the 15 per cent withholding applied to CCR, the effective cap is actually much less than \$7500 per child per year, so the cap is reached much sooner. Families either have to pay the full fees upfront for the remainder of the financial year or withdraw their child from ECEC altogether and then re-enrol at the start of the financial year.

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

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

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

#### **4.7. Direct payment of child care assistance to services**

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

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

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

#### **4.8. Targeting of the payment system**

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

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

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

## 5. Availability of ECEC

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

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

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

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

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

### *Constraints on new ECEC facilities*

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

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

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

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

### **Best Practice Guide to the Planning and Development of Child Care Facilities**

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

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

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

### 5.1. The role of state/territory governments

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

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

The question is should we only be concerned about meeting demand for ECEC services in areas of undersupply, or concentrating on ensuring all children access ECEC? There are many areas, particularly in rural remote Australia which do not have high demand from parents wanting to access ECEC and therefore do not have many ECEC places. Yet the children that live in these areas still deserve the same opportunities to access early learning opportunities.

As these matters are related to matters of national productivity, ECA also supports the development of a national working group of all three tiers of government to address the issue of supply and ensuring a holistic approach to access, which is not just based around increasing supply to meet needs of families who require ECEC for workforce participation purposes.

## 6. Recommendations

- 1) **The best interests of children are put at the centre of the early childhood education and care system.**
- 2) **Maintain a national commitment to quality ECEC, acknowledging the strong research evidence for determinants of quality including:**
  - a. **the qualifications required of staff**
  - b. **numbers of qualified staff**
  - c. **staff to child ratios**
  - d. **requirements regarding group size, health, safety and physical space.**
- 3) **Develop best practice guidance to drive improvements in physical learning environments for early childhood education and outside school hours care.**
- 4) **Increase public education on the determinants of quality in ECEC to assist family decision-making and support better informed social discourse.**
- 5) **Continue workforce development initiatives where they are still needed and proving effective and consider listing the Early Childhood Diploma qualification on the Skilled Occupation List.**
- 6) **That regional early childhood networks be established across Australia to enhance leadership and development opportunities in collaboration with other services.**
- 7) **Support the continued implementation and refinement of the *National Quality Framework* (NQF) to provide certainty to the sector and ensure ongoing quality improvement.**
- 8) **Address areas regulatory burden which do not affect children's interests including:**
  - a. **removing supervisor certificates and placing the legal onus on the approved provider to identify a responsible person.**
  - b. **review the interaction between each NQS element and standard for the quality rating result at the quality area level.**
  - c. **remove any areas of duplication between the NQF and Family Assistance/CCB requirements as well as requirements related to other Commonwealth, state and territory funding.**
- 9) **SCSEEC should hold public consultation on any proposed changes to the Education and Care Services National Law and Regulations.**
- 10) **The Senate Education and Employment Committee should hold inquiries into any future changes proposed to the Education and Care Services National Law and Regulations.**

- 11) **Maintain support for the sector to implement the *National Quality Standard (NQS)* through sector development, workforce development and professional development initiatives.**
- 12) **Undertake thorough research to quantify the cost of quality and other cost drivers, ensuring that any strategies to reduce cost would actually have an impact on fees.**
- 13) **Ambitious targets should be agreed at COAG to improve access to ECEC for children, specifically to:**
  - a. **meet the current universal preschool access targets in the short term**
  - b. **set a target for 90 per cent of children aged between three years and school age attending ECEC for at least 30 hours per week for the medium to long term.**
- 14) **Establish a new data collection system to monitor participation against agreed targets.**
- 15) **Invest in further evaluation and development of integrated service models for communities affected by social and economic disadvantage.**
- 16) **Support the development of a new ECEC financing model, through a single early learning subsidy to replace CCB and CCR that is progressive in targeting more support to low and middle income families while continuing to provide some support to all families using quality assured services.**
- 17) **Significant reform is needed to the way in which the federal government invests in early childhood education and care in order to:**
  - a. **simplify the system for parents and reduce up-front out-of-pocket expenses**
  - b. **reduce or discourage price inflation and improve transparency**
  - c. **remove structural problems in the current system where possible**
  - d. **adopt an appropriate model for indexation that ensures investment keeps pace with real costs**
- 18) **Early childhood education and care warrants continued government investment to support quality in service delivery and affordability for families.**
- 19) **Address supply issues in ECEC, through:**
  - a. **federal government data collection and analysis to provide accurate information on demand trends, ultimately through the development of predictive models**
  - b. **state government commitment to increasing the delivery of outside school hours care in appropriate facilities on school grounds**
  - c. **local government planning and problem solving**
  - d. **capital investment to support not-for-profit operators to set up new services and/or expand existing services in areas of high or predicted unmet need, through free or low interest loans or greater access to publicly owned facilities (local/state or federal government owned facilities).**



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