



Australian Childcare Alliance

Representing the future of Australia's children

Immediate Future of the Childcare Sector in Australia

Submission to Senate Inquiry

AUSTRALIAN CHILDCARE ALLIANCE

MARCH 14, 2014



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**Submission to the Senate Inquiry
Immediate Future of the Childcare Sector in Australia**

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Table of Contents

1.	Introduction	3
2.	Recommendations	5
3.	Affordability for families	7
3.1.	Impact on Families	7
3.2.	Accessibility	11
3.3.	Access for 0-2 years	12
3.4.	Quality and Flexibility	12
4.	Vulnerable and Disadvantaged Families	13
4.1.	Early Intervention and Participation.....	13
4.2.	Support Programs	14
	Special Child Care Benefit	14
	Inclusion Support Subsidy	15
5.	Occupancy.....	17
6.	Planning	17
7.	Viability of Services	19
7.1.	Overall Viability	19
8.	Implementation of the National Quality Framework.....	23
8.1.	Outcomes for Children	24
8.2.	Environments for learning.....	26
8.3.	Impact on families	26
8.4.	Subjectivity	28
8.5.	Governance	29
8.6.	Assessment and Rating.....	30
9.	Workforce issues.....	33
9.1.	Workforce factors including stability, qualifications and wage rates	33
9.2.	Implementation of Staffing Ratios.....	33
9.3.	Early Childhood Teachers	34
9.4.	Workforce Shortages.....	35
9.5.	Vocational Training Quality	36
9.6.	Recognition and Assessment of Competencies	37
9.7.	The NQF effect on the Workforce	38
10.	NQF and other Impacts	40

1. Introduction

The Australian Childcare Alliance (ACA) is the national peak body representing the long day care Early Childhood Education and Care Sector throughout Australia with offices in Victoria, New South Wales, Queensland, South Australia, and Western Australia and representation in all states and territories.

ACA compliments the Australian Government on its commitment to the provision of strong support and financial assistance to education and care of children in their early years. Research has proven that support for this important cohort of young Australians will reap enormous rewards - economic, familial and social for our country - now and long into the future.

This significant benefit is realised through sustained participation of women in the workforce and in producing confident, nurtured, educated and happy children able to participate in high quality care and early learning programs as preparation for their journey through the formal school years.

High quality early learning services underpin the workforce. ACA supports the Government's motives to continue to encourage the sector to provide superior care and early learning reforms and to encourage workforce participation within the early education and care sector.

Families accessing the ECEC sector for their children are experiencing affordability issues with the increased fees that have resulted from the National Quality Framework implementation since 1 January 2012. These increases combined with general economic pressures are causing women to rethink their commitment to workforce participation.

We know that the Prime Minister and his government acknowledge the importance of the ECEC sector in preparing future generations of Australians for a successful and fulfilled life. ACA understands that the fiscal position that Australia experiences at the present time is extremely challenging but we believe that further expenditure now will ensure higher employment and outcomes into the future for our children. Children currently in their early years must not be permitted to fall through the cracks due to the financial burden of costs of ECEC placed on their families and the government's current financial constraints.

The well intentioned National Quality Agenda (NQA) has resulted in hardship for families, particularly for working mothers of young children wishing to re-enter and/or remain in the workforce. Our survey of 2500 parents revealed that work hours have been cut and will be cut further as families' fees increase as the NQA continues through its implementation phase. The concern ACA holds is that children may be placed at risk as parents search for cheaper alternatives to the highly regulated formal sector.

Children from vulnerable and disadvantaged families are obviously missing from an ECEC program at the current time. It is ACA's intent that ALL children have access to an affordable ECEC program. The AEDI (Australian Early Development Index 2012) states that:

- Overall in Australia, 22 per cent of children are developmentally vulnerable on one or more domain/s
- Overall in Australia, 10.8 per cent of children are developmentally vulnerable on two or more domains



It is our responsibility to ensure that an ECEC program and early intervention is provided to ensure that these children are competently equipped during their early years to be successful when they enter the school system.

The conundrum, with which we are faced in putting forward our suggestions before this Senate Inquiry, is that we are awaiting the forthcoming proposals of the current Productivity Commission review into the ECEC sectors.

ACA recognises that this review will not be completed until late 2014 and that any positive subsidy changes to be implemented from this review by Government may not be announced until Budget 2015-2016 with a possibility of delayed implementation until 1st July 2016.

Implementation of further requirements under the National Quality Framework take effect on 1st January 2016 and these changes, primarily higher staff to child ratios will exacerbate the cost impost on families.

ACA's concern is for families currently using ECEC services and their inability to meet the rising costs today. We therefore believe that there must be an interim increase to ensure those families and their children accessing an ECEC program and particularly for those unable to access an ECEC program due to rising costs, are not further disadvantaged whilst awaiting a more positive outcome into the future. The window of opportunity for our children aged 3 - 5 is now.

Educators in the sector have been impacted by the rapid implementation of the NQF on the sector and the resultant outcomes of their assessment and rating experience. Our educators are dedicated and capable but many are feeling the pressure of providing quality education and care whilst implementing these changes.

ACA recognises that it is vital to encourage the growth of the current workforce to participate in choosing a career in education and care for children in their early years, particularly in the Long Day Care, Family Day Care and Outside School Hours Care sectors.

ACA acknowledges that there is a shortage of qualified educators particularly in view of the National Quality Framework (NQF) implementation requirements from 1 January 2014 of an Early Childhood Teacher in every service and for 50 per cent of educators to have at least an approved diploma level education qualification.

We seek support from the Senate to address the impact of the current system on all stakeholders whilst taking into consideration latest research on the benefits of a robust and viable ECEC sector on outcomes for children.

Regards

A handwritten signature in black ink, reading 'Gwynn Bridge'.

Gwynn Bridge
President

2. Recommendations

1. The Australian Government alleviates the affordability burden of Australian families as a priority in the 2014-15 Federal Budget to address the devaluation in government subsidies to families over the past decade and the underestimated costs of early childhood reform.
2. That all levels of Government urgently address NQF cost pressures by deferring staff to child ratios changes until government has budgeted for increased funding to families during the scheduled period of implementation.
3. A model to provide free or no cost access to ECEC services is developed for children from vulnerable families including generational welfare families.
4. Address the under subsidisation of Inclusion Support funding for children with additional needs.
5. Address the under subsidisation of Inclusion Support funding for children with additional needs
6. The Australian Government considers all potential funding models, including tax deductibility, on the principle of families being 'no worse off' than current funding arrangements.
7. Improve flexibility by extending the length of time that families can access Child Care Benefit hours.
8. The Australian Government only considers the extension of flexible models of care that are in-scope of the National Quality Framework.
9. All levels of government engage in considerable debate with the sectors, families and the wider community prior to allocating taxpayer funds to an additional informal care sector, for example nannies/au pair's.
10. The formation of a committee, such as the previous Planning Advisory Committee, which was established by the Australian Government in 1998 and operated until 2000 to address the allocation of child care benefit places to areas of need. The forum of this group in each state and territory consisted of Australian Government, State and Local Governments and sector representatives to monitor and refer growth into areas of need would be beneficial to all stakeholders.
11. The Australian Government address the inequitable taxation status of not-for-profit providers by under Deductible Gift Recipients (DGR) status.
12. Alternative levers are considered to facilitate better planning within the ECEC sector including eligibility for Government funding of new services where communities are at-risk of oversupply.
13. The Australian Government's inequitably low funding of the 0-3 age groups is increased to assist with meeting demand.
14. A dedicated *Planning Advisory Committee* is established by the Australian Government to strategically monitor supply and demand nationally and is replicated in each state with ECEC relevant sector representation.
15. That a *Planning Advisory Committee* is established and is responsible for working with all levels of Government and the ECEC sector to establish common principles and criteria for assessing supply and demand, building on current practice.
16. The Australian Government advises other relevant Government agencies where appropriate, should there be concern regarding over supply.
17. The responsibility of quality assurance is transferred to a national authority under the leadership of the Australian Government.



18. The responsibility of regulation is devolved to State and Territory Governments to enable a more coherent and practical servicing of the needs of local communities.
19. The existing Assessment and Rating model is suspended immediately due to sustainability of the system and the inability of jurisdictions to apply a consistent model and replaced immediately with compliance visits to ensure that all services are monitored.
20. That a new Assessment and Rating system be developed, in conjunction with the sector, that focuses on increased levels of autonomy, reduced burden on services and government and deliver timely and accurate information to parents on the quality of the sector.
21. A program of training and development is implemented by Australian Children's Education and Care Quality Authority (ACECQA) to support nationally endorsed learning frameworks to improve outcomes for children.
22. ACECQA provide best practice direction to the sector on all quality areas with respect to the National Quality Standards.
23. *Regulation 242 – Persons taken to be early childhood teachers*, which ceases on 1 January 2016, be extended until a time when the supply of suitably quality early childhood improves.
24. *Regulation 134 (b)* relating to a second early childhood teacher in attendance be rescinded and no longer considered a priority.
25. Practitioners, together with academics and government, should play a role in the design and delivery of future ECEC policy reform.
26. Stricter controls on RTO's are implemented to ensure that students and the sector are benefitting from funding by supporting students to be knowledgeable and capable to enter the ECEC sector as well as ensuring value for money on government investment.
27. A comprehensive audit of all registered training organisations, conducted by the Australian Skills Quality Authority (ASQA) in conjunction with the sector, to determine existing practice alignment to the quality aspirations of the national quality reform agenda.
28. A review of the approach to recognition of prior learning, in an early childhood context, is conducted with a greater emphasis on outcomes not expediency.
29. Funding considerations into the future take into account the results of the *Equal Remuneration Order* currently before Fair Work Australia.

3. Affordability for families

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

3.1. Impact on Families

Parents state that they have experienced financial hardship through the fee increases as a result of the implementation of the NQF. Whilst families are satisfied with the early learning programs being offered in services across Australia, it is evident from their comments recorded in the *What Parents Want Survey 2013*¹ that considerable financial and personal hardship has occurred.

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

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

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

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

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

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

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

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

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

¹ACA Parent Survey 2014, Australian Childcare Alliance, December 2013



Table 1: CCR difference to family budget with cap and no CPI increase for 4 years

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

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

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

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

There is also a trend towards part-time care. 84 per cent of respondents to the *ACA Member Survey 2014*² indicate that families are reducing from full-time commitments (for example, dropping Monday and Friday). Of these, Members reported that these decisions are due to:

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

ACA is concerned the current Australian Government is seeking to continue the freeze on CCR for an additional three years, as set by the previous Government in the 2013-14 Budget. This will provide

²ACA Member Survey 2014, Australian Childcare Alliance, January 2014



further barriers for families, particularly mothers, to remain in full-time work or in the paid workforce.

The Grattan Report³ reinforces the economic imperative of improving affordability, particularly for female workforce participation:

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

The Centre for Economic Policy Research⁴ report highlights the strong relationship between cost of childcare and usage. They report that:

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

The ACA Parent Survey 2014⁵ and ACA What Parents Want Survey 2013 highlight that the high cost of care is a determinant of families' ability to access ECEC. More than 60 per cent of families indicated that they would increase their use of childcare if cost were not a barrier.

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

³Grattan Institute Report No. 2012-5, June 2012 – Game Changers: Economic Reform Priorities for Australia, June 2012, John Daley

⁴ The Australian National University, Centre for Economic Policy Research Discussion; Gong and Breunig; Paper No. 653 November 2011.

⁵ACA Parent Survey 2014, Australian Childcare Alliance, December 2013.

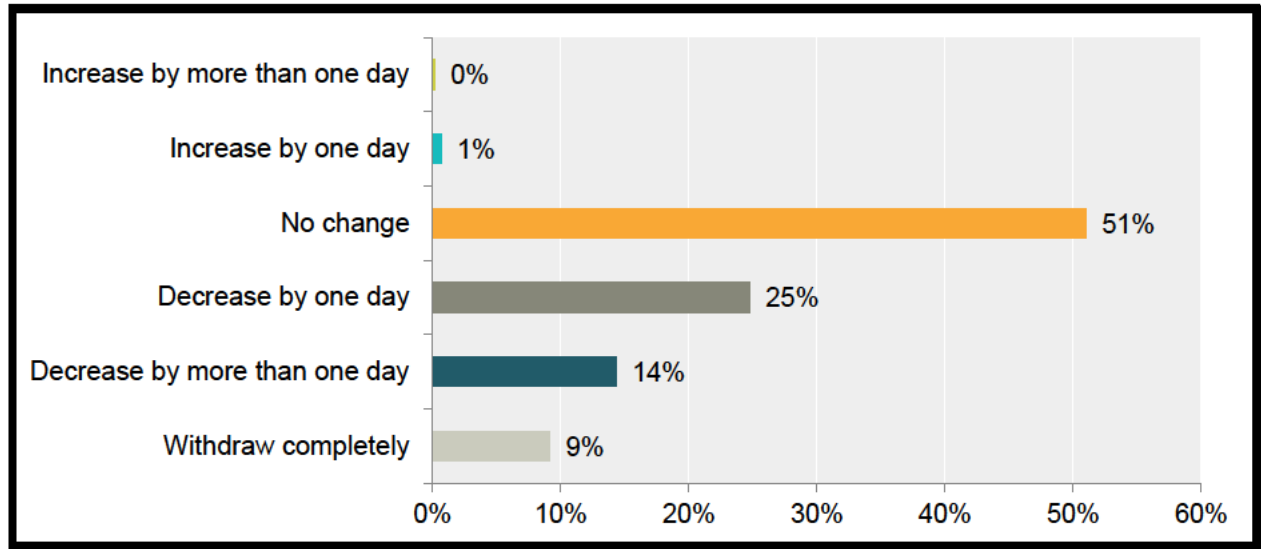


Figure 1: ACA Parent Survey 2014 - Parent response to usage of childcare with an increase in fees of 10 per cent

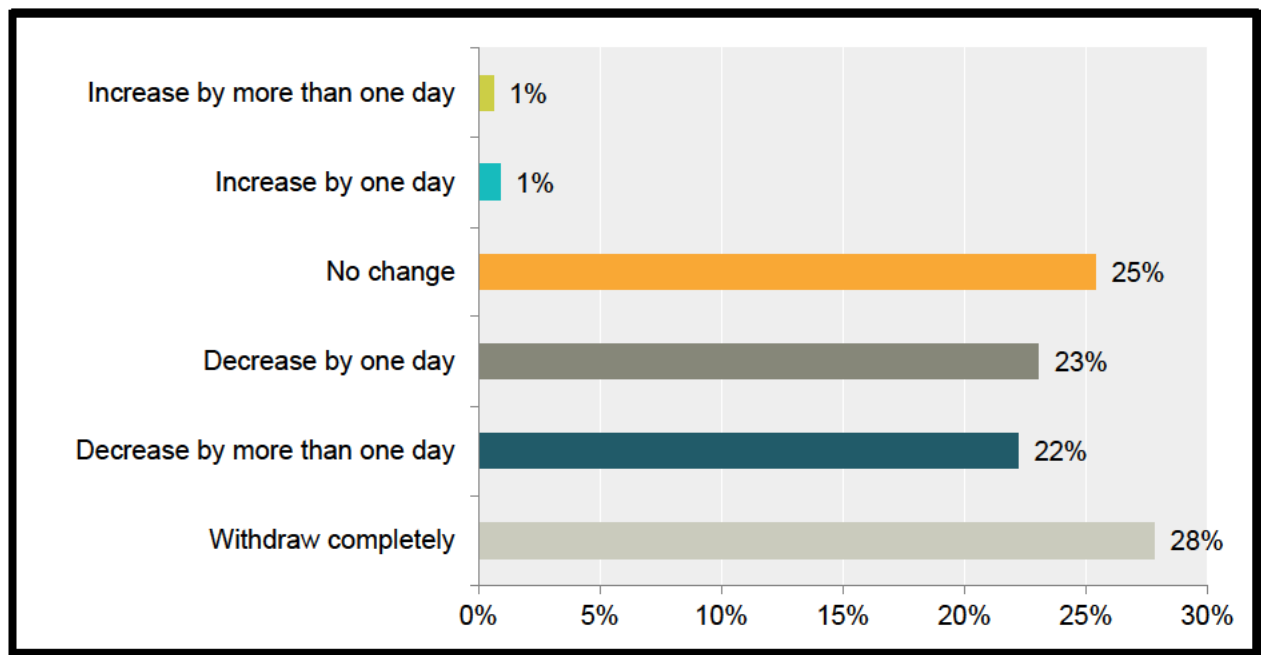


Figure 2: ACA Parent Survey 2014 - Parent response to usage of childcare with an increase in fees of 20 per cent

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

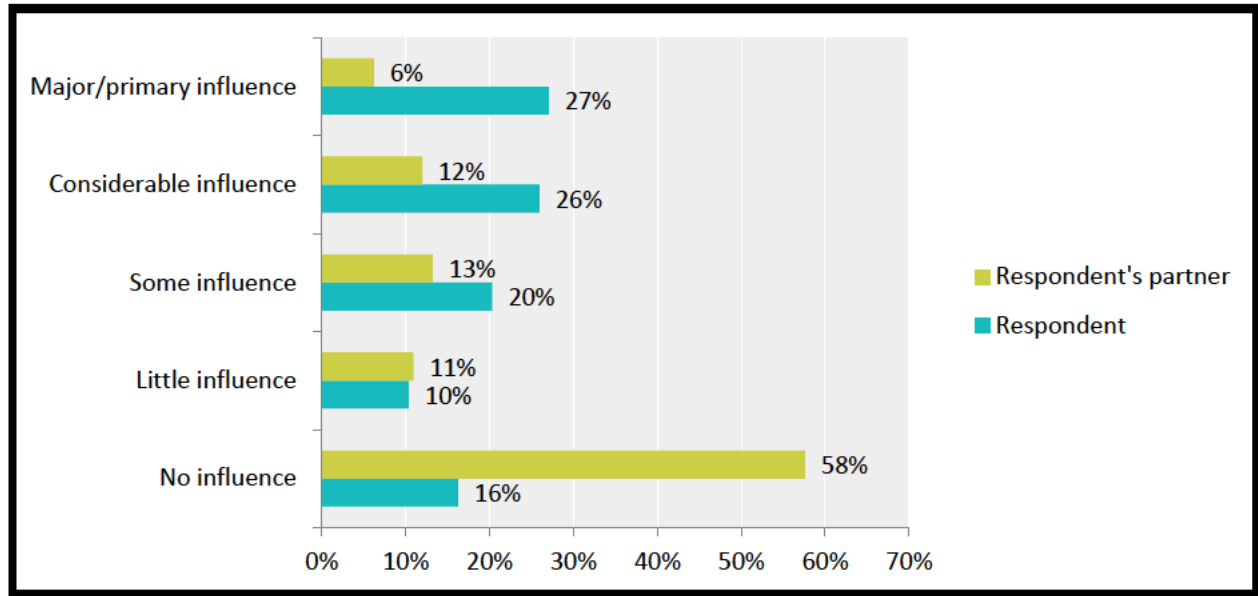


Figure 3: ACA Parent Survey 2014 - Impact of cost on parent workforce participation

Overall families are continuing to struggle to meet the out-of-pocket cost of childcare. Respondents to the *ACA Member Survey 2014*⁶ demonstrate the volatile financial position of families accessing the long day sector. ACA Members report that on average 25 per cent of families experienced difficulties in paying their fees during 2013.

3.2. Accessibility

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

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

As outlined in *Meeting the Expectations of Australian Families*⁷ there continues to be a number of challenges in terms of all Australian families having the opportunity to access quality ECEC services, including lack of access to ECEC places in some areas and lack of places for infants and children with additional needs (see section 9 Vulnerable and Disadvantaged Children and section 4.2 Occupancy).

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

Current services that wish to increase their licensed capacity are finding that they are hamstrung because of local government and parking issues and also Section 107 of the National Law requiring

⁶ACA Member Survey 2014, Australian Childcare Alliance, January 2014

⁷ Meeting the Expectations of Australian Families: Australian Childcare Alliance: August 2012

that an increase in licensed capacity or even renovations to improve the building will generate relicensing under which the service must then meet the current Australian Building Standards.

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

3.3. Access for 0-2 years

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

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

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

Responses to the *ACA Member Survey 2014*⁸ indicated that 25 per cent of ACA Members do not provide care for babies. These Members attribute this to the space/structural limitations in the current service (65 per cent), the higher costs of providing care to babies (57 per cent) and the staffing costs associated with educator-child ratios for the age group (54 per cent).

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

3.4. Quality and Flexibility

Respondents to the *ACA Parent Survey 2014*⁹ were asked to consider if they would trade-off quality for any reason. The overwhelming sentiment was that quality is important to more than 70 per cent of parents; however the results demonstrate that there are some families who would be willing to accept lower quality of service for specific needs.

The results indicated that:

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

⁸ ACA Member Survey 2014, Australian Childcare Alliance, January 2014

⁹ ACA Parent Survey 2014, Australian Childcare Alliance, December 2013.

4. Vulnerable and Disadvantaged Families

4.1. Early Intervention and Participation

There are vulnerable children in all communities with 23.5 per cent of Australian children¹⁰ developmentally vulnerable in one or more of the five Australian Early Development Index (AEDI) domains (physical health and wellbeing, social competence, emotional maturity, language and cognitive skills, and communication skills and general knowledge).

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

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

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

Respondents to the *ACA Member Survey 2014*¹¹ overwhelming identified affordability as a barrier to participation for vulnerable and disadvantage families in their interactions with families in their communities. 69 per cent of respondents identified affordability and 51 per cent of services citing a lack of understanding (and value) for the importance of ECEC in the development of their children.

The Productivity Commission has previously confirmed that the increased costs of the NQF may push fees beyond the reach of disadvantaged families¹², predicting an increasing number of disadvantaged children being unable to participate in ECEC services. The Commission also suggests appropriate funding from Government may be required to maintain access for disadvantaged children.

¹⁰ AEDI National Report 2012, A Snapshot of Early Childhood Development in Australia 2012, Australian Department of Education, Employment and Workplace Relations

¹¹ ACA Member Survey 2014, Australian Childcare Alliance, January 2014

¹² Productivity Commission Research Report – Early Childhood Development Workforce, Productivity Commission, November 2011.

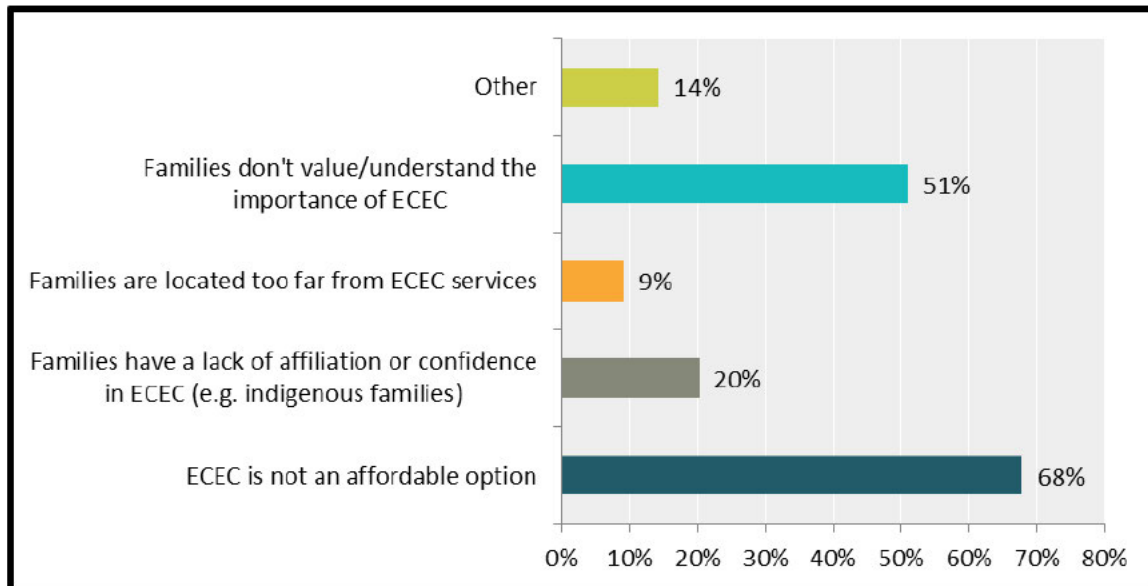


Figure 4: ACA Member Survey 2014 – Barriers to participation for vulnerable and disadvantage families

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

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

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

4.2. Support Programs

Special Child Care Benefit

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

Inclusion Support Subsidy

For children with additional needs, participation in high quality ECEC services is particularly important for learning and development. In late 2011, the Productivity Commission observed the proportion of children with additional needs appears to be increasing; however, they are currently underrepresented in ECEC.¹³ The Australian Government provides the Inclusion Support Subsidy (ISS) to childcare services for the purpose of supporting children with ongoing high-support needs. However, the Productivity Commission determined the current level of program funding and support to be inadequate to ensure this cohort of children benefit fully from the reform agenda under the NQF.

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

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

A small number (5 per cent) of respondents to the *ACA Parent Survey 2014*¹⁴ indicated that they had a child with additional needs in a long day care service. Of concern was that of these respondents 40 per cent felt that no additional support was provided to meet the needs of their child.

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

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

The Productivity Commission has previously identified Government funding was limited, short-term, not commensurate with staffing costs and onerous to apply for and maintain, making it challenging for services to recruit and retain qualified inclusion support workers¹⁵. Serious program inadequacies were found to be impacting on children with additional needs participating in ECEC; a situation already well known to long day care services, staff and families.

ACA is concerned that:

- The hourly rate for inclusion support workers, is approximately 35 per cent less than a Certificate III qualified carer with three years' service under the Children's Services Award;
- Access to ECEC by way of funding being provided for only five hours per day is extremely limiting. Applications for extended hours of funding is extremely difficult to get approved;

¹³ Productivity Commission Research Report – Early Childhood Development Workforce, Productivity Commission, November 2011.

¹⁴ ACA Parent Survey 2014, Australian Childcare Alliance, December 2014

¹⁵ Productivity Commission Research Report – Early Childhood Development Workforce, Productivity Commission, November 2011.



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

It is recommended that:

1. The Australian Government alleviates the affordability burden of Australian families as a priority in the 2014-15 Federal Budget to address the devaluation in government subsidies to families over the past decade and the underestimated costs of early childhood reform.
2. That all levels of Government urgently address NQF cost pressures by deferring staff to child ratios changes until government has budgeted for increased funding to families during the scheduled period of implementation.
3. A model to provide free or no cost access to ECEC services is developed for children from vulnerable families including generational welfare families.
4. Address the under subsidisation of Inclusion Support funding for children with additional needs
5. Address the under subsidisation of Inclusion Support funding for children with additional needs
6. The Australian Government considers all potential funding models, including tax deductibility, on the principle of families being 'no worse off' than current funding arrangements.
7. Improve flexibility by extending the length of time that families can access Child Care Benefit hours.
8. The Australian Government only considers the extension of flexible models of care that are in- scope of the National Quality Framework.
9. All levels of government engage in considerable debate with the sectors, families and the wider community prior to allocating taxpayer funds to an additional informal care sector, for example nannies/au pair's.



5. Occupancy

Respondents to the *ACA Member Survey 2014*¹⁶ indicated that estimated overall occupancy levels for the week beginning 3 February 2014 were 74.64 per cent.

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

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

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

Table 2: ACA Member Survey 2014 – Vacancies as a percentage of overall occupancy by age

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

In recent weeks ACA has been advised by our State Associations in New South Wales, South Australia and Queensland that they have received information from member services that underutilisation in large demographic areas is causing severe operational viability problems. Tasmania has now revealed that services there are also experiencing the same issues with a centre closing and another under stress. Whilst we continue to hear of places not being available for families, we firmly believe that this occurs predominately in the babies 0 – 2 groups and within a 10 k radius of the city centres where there is highly concentrated employment.

6. Planning

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

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

¹⁶ ACA Member Survey 2014, Australian Childcare Alliance, January 2014.

A conversation on 13/04/2014 with Roxanne Elliott from the Care for Kids site which maintains a valuable list of vacancies and services throughout Australia, revealed that each day Care for Kids is loading as many as 10 – 15 new services (FDC, LDC or school aged care) onto their website. Roxanne advised that many of these new services have been constructed in areas that are currently advertising substantial vacancies.

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

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

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

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

With the information available to Department of Education through the Child Care Management System, Australia has the opportunity to bring together the analysis of Australian, State and Local Governments to strategically monitor supply and demand nationally. At the heart of such monitoring must be community need and an assessment of whether the ECEC sector is meeting the demand for places, both current and projected.

It is recommended that:

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



7. Viability of Services

7.1. Overall Viability

The 2013 IBIS Report¹⁷ into the childcare industry presents a gloomy picture of the future, particularly for private operators who represent 70 per cent of the long day care sector. It highlights that profit margins have been eroded over the past five years to a level of viability concern and it is expected that by 2016 the sector will be experiencing severe financial difficulty. The report indicates that:

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

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

¹⁷ IBISWorld: Industry Report Q8710 Childcare Services in Australia: Anna Richardson June, 2013



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

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

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

According to research by the Community Child Care Co-operative (NSW)¹⁸, only 5 per cent of the state's council-operated childcare centres make a profit, with 45 per cent breaking even and the rest losing money.

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

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

Tracey Gibson¹⁹, from Uniting Care in Victoria, also highlighted the fragility of the community sector in recent media reports:

¹⁸ SMH: R. Brown 11 November 2013, Subsidised Council Centres Under Threat

¹⁹ Tracey Gibson: Article Uniting Church to close four Childcare Centres in Gippsland: Wed 23 Oct 2013, 8:35am AEDT



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

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

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

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

ACA Members are reporting mixed sentiments about the future and their overall viability. As part of the *ACA Member Survey 2014*²⁰ services were asked to rate their business health (that is, their viability and confidence in 2014). Of concern, are 21 per cent of services throughout Australia expecting 2014, in business confidence terms, to be poor or very poor.

Table 3: ACA Member Survey 2014 – Perception of viability compared to 2013

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

²⁰ ACA Member Survey 2014, Australian Childcare Alliance, January 2014.



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It is recommended that:

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

8. Implementation of the National Quality Framework

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

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

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

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

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

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

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

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

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

Educators who previously struggled with the academic instructional approach now, after a few years of implementation, are progressing well. However there are educators who are still struggling with implementation as Registered Training Organisations (RTOs) and Universities were slow to introduce



appropriate and practical instruction on the EYLF and the National Quality Standards (NQS). New entrants to the sector will continue to require support.

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

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

Services are struggling under the financial costs of the implementation of the NQF in particular costs related to increases in staffing requirements and increased paperwork. Ratio requirements from 1 January 2016 will have the biggest impact on increased cost to families. This impact will vary across Australia and whilst all families will be impacted, families in some states will be forced to pay considerably more as the higher ratios take effect.

A slower implementation or delaying the implementation of these changes until more educators are available and government can afford to subsidise families for the increases that will occur should be considered.

Consolidation or amalgamation to reduce costs to drive economies of scale is not an option for smaller services and many Approved Providers have increased their own workload in an effort to keep costs from rising further for their families.

8.1. Outcomes for Children

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

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

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

As reported in the AEDI 2012 Summary Report (page 11)²¹:

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

²¹Department of Education, Employment and Workplace Relations.(2013). Australian Early Development Index 2012 Summary Report. Canberra: Australian Government.

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

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

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

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

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

Respondents to the *ACA Member Survey 2014*²² indicate that the extent of administrative burden is resulting in less child contact from educators, which has the potential to impact on education and care outcomes for children. Specifically, 56 per cent of ACA Members indicated that the introduction of the NQF has reduced or significantly reduced time educators spend with children.

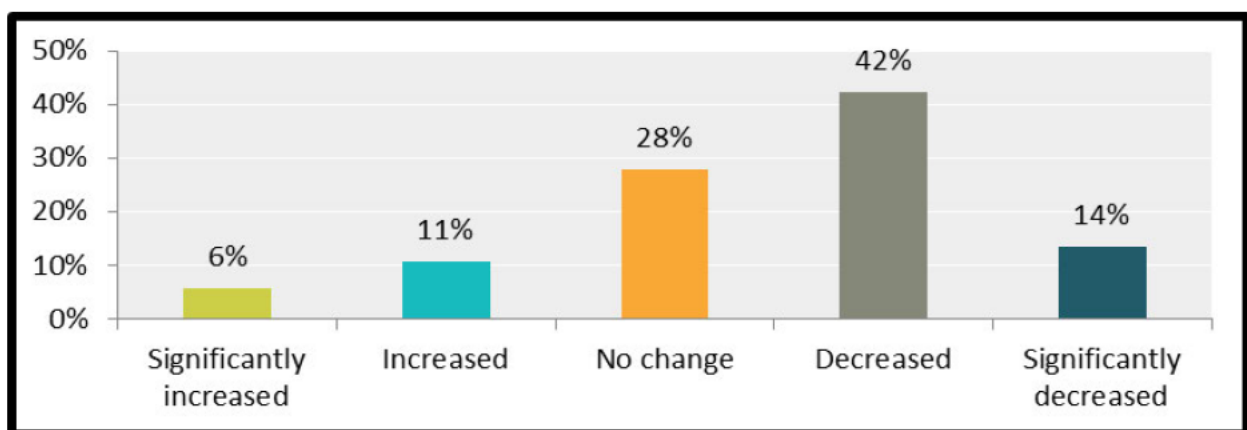


Figure 5: ACA Member Survey 2014 –Implications of the NQF: Impact of the NQF on paperwork taking educator contact time from children

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

Table 4: ACA Member Survey 2014 – Aspects of NQF and Outcomes for Children

²²ACA Member Survey 2014, Australian Childcare Alliance, January 2014.



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

8.2. Environments for learning

A change in the environment for children's learning has improved through the EYLF and the NQS with some restrictions. The environment is designed by the children with the assistance of educators who are aware of and flexible to the children's current interests and abilities. There has been a move from the structured environment and this is positive. Children now may have a variety of interest areas both in the indoor and outdoor environments. Ensuring that the service is incorporating sustainable practices has caused concern for many educators as it is new to sector requirements and educators needed to increase their own knowledge and understanding prior to transferring that knowledge to the children. Many services have expended considerable funds and time on this Element of the NQS only to find that it has been one of the most failed elements of the NQS.

A "Working Towards" rating is causing discontent and dissatisfaction amongst educators.

8.3. Impact on families

The Australian Children's Education and Care Quality Authority (ACECQA) Report into the National Quality Framework and Regulatory Burden²³ (Page 97, Figure 55- Providers' perception of which ongoing administrative activities are most burdensome) substantiates ACA's position on the link between the NQF and increased in costs to families.

²³ ACECQA Report into the National Quality Framework and Regulatory Burden, July 2013.



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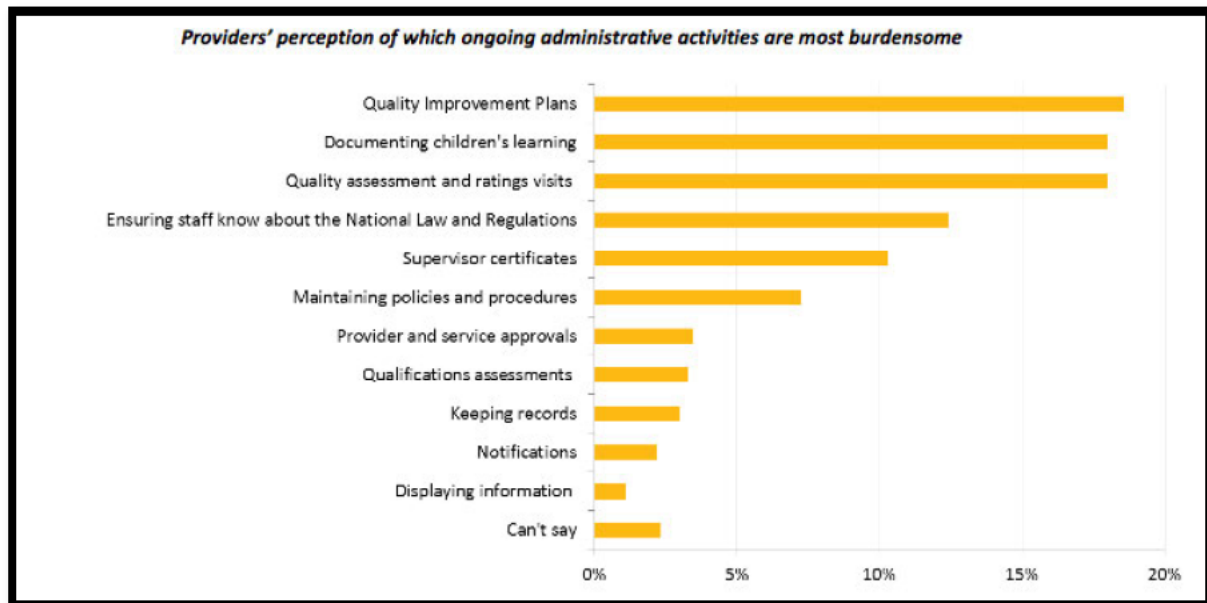


Figure 6: Providers' perception of which ongoing administrative activities are most burdensome, ACECQA

The majority of respondents (66 per cent) to the *ACA Member Survey 2014*²⁴ indicated that the additional costs of the NQF have been passed onto families in the form of higher fees. Those who do not pass on fees cite intensive local price competition as a limiting factor.

The former Labor Government, responsible for the implementation of the NQF, failed to acknowledge information in the *Productivity Commission Report 2011*²⁵ that indicated the costs of implementing the NQF to families would be substantial. Consequently, no additional funding was provided to assist families with the costs of implementation of the changes. In fact the opposite actually occurred with funds withdrawn from families through the Child Care Rebate (See Section *Affordability*).

The former Minister for School Education, Early Childhood and Youth disputed advice from the Productivity Commission in favour of a report from Access Economics²⁶.

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

²⁴ACA Member Survey 2014, Australian Childcare Alliance, January 2014.

²⁵Productivity Commission Research Report – Early Childhood Development Workforce, Productivity Commission, November 2011.

²⁶The National Quality Framework for Early Childhood Education and Care.(2011). Retrieved January 15, 2014, from <http://parliamentflagpost.blogspot.com.au/2011/12/national-quality-framework-for-early.html>

In 2009, Childcare Queensland (an affiliate of ACA) engaged Urban Economics²⁷ to undertake an assessment of the increase in fees anticipated through the implementation of the NQF. It indicated that fees for families would rise by at least \$13 per day per child in Queensland to 2015. This would be higher in other states where ratio changes were more significant and other regulatory changes were implemented earlier.

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

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

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

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

8.4. Subjectivity

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

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

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

²⁷Meulman, A. & Davies, L. (2009). Economic Impact Analysis. Report prepared by Urban Economics for Childcare Queensland.

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

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

8.5. Governance

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

The ambition to achieve nationally consistent legislation has not been realised. All States and Territories have variations. ACA is advocating for the rights of individual States and Territories to maintain the ability to meet the needs of their local communities. The removal, in some instances, of this ability has substantially added to costs and has been detrimental to outcomes for children, families and educators. However, variations between States and Territories that set benchmarks higher than NQF standards are the cause of major division within the sector and have forced up fees for families.

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

ACA believes that the regulatory process of assessment should be the responsibility of the State and Territory Governments; the quality assurance, as it is linked to the Australian Government funding of the Child Care Benefit (CCB) and Child Care Rebate (CCR) should be the responsibility of the Australian Government. ACA also suggests that the Significant Improvement Required rating be discontinued as if a service is failing to meet a basic regulatory requirement the assessment should be stopped and the service given a time frame for righting the problem. This would occur naturally if compliance was separated from quality.

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

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

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

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

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

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

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

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

8.6. Assessment and Rating

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

- system implementation and training;
- increased non-contact time for Directors/Nominated Supervisors;
- Additional administrative burden; and
- Increased number of educators and qualification levels.

A&R results, published by ACECQA, highlight the challenges experienced by services. According to the ACECQA NQF Snapshot Q3 2013²⁸ the majority of ratings (42 per cent) are the 'working towards' rating.

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

To compound this issue State and Territory Governments, who conduct the A&R processes for their jurisdiction, are not consistent nationally or consistent within their jurisdictions. This results in

²⁸ACECQA NQF Snapshot Quarter 3 2013, November 2013

inequitable and inconsistent assessment of services and further undermines the quality rating system.

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

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

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

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

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

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

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

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

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

The A&R process is currently unsustainable and causing a substantial increase in government spending which could be redirected to the support of vulnerable and disadvantaged children.

According to ACECQA, as at 30 September 2013 only 25 per cent of centre-based services had been assessed.

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

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

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

ACA believes that awarding the “Centre of Excellence” rating should not continue. With so many services throughout Australia as yet not assessed, it is unfair for an assessed service to receive an “Excellence” rating. This is causing dissension in areas where services want to be assessed but may not go through the process for several years.

It is recommended that:

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

9. Workforce issues

9.1. Workforce factors including stability, qualifications and wage rates

ACA believes that it is inappropriate to comment at the present time on wage rates due to the ongoing Equal Remuneration Order before the Fair Work Commission however we include general comments on workforce issues.

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

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

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

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

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

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

9.2. Implementation of Staffing Ratios

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

- Ensuring all educators are studying towards a qualification (increased wages);
- Diploma educators upgrading qualification to degree (increased wages);
- Encouraging and supporting senior long term unqualified staff to commit to study for a qualification (increased wages);
- Paying for cost of qualifications for educators (cost to Approved Provider);
- Advertised regularly and widely (cost to Approved Provider – extensive);
- Attempted to engage additional staff to gain qualifications to meet the 50 per cent qualified requirement in 1 January 2014 (payment of additional staff);
- Prepared a workforce development plan for their business (cost to Approved Provider);
- Sponsored overseas workers (cost and commitment of Approved Provider);
- Recruited from interstate (cost for Approved Provider - moving);



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- Above award incentives where possible e.g. additional holidays, over award payments; payment of study;
- Paid study time (cost to Approved Provider for replacement);
- ECT's required in services smaller than 25 places for 20 per cent of operating hours (cost to Approved Provider); and
- Diploma trained staff displaced by ECT from 1/1/2014 (loss of employment educators).

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

9.3. Early Childhood Teachers

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

Research²⁹ indicates that children experience no advantage or disadvantage when different levels of qualified practitioners deliver a preschool/kindergarten program. That is, there is no advantage or disadvantage between an ECT and an experienced diploma trained teacher.

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

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

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

²⁹Early Bird Catches the Worm: The Casual Impact of Pre-school Participation and Teacher Qualification on Year 3 NAPLAN Cognitive Tests: Diana Warren and John P. Haisken-DeNew MIAESR, University of Melbourne

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

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

9.4. Workforce Shortages

ACA Members continue to report challenges in the attraction and retention of Early Childhood Teachers throughout Australia. 73 per cent of respondents to the *ACA Member Survey 2014*³⁰ indicate that recruitment of suitable teachers was the primary workforce challenge.

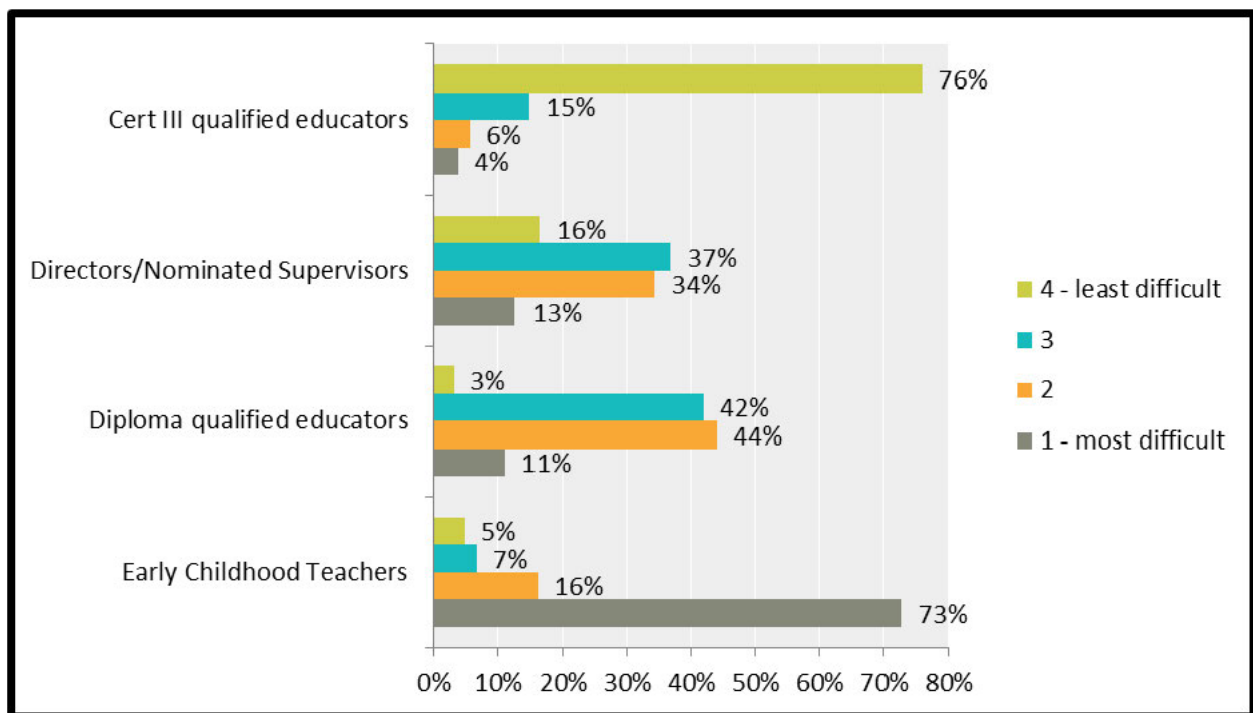


Figure 7: ACA Member Survey 2014 – Services experiences - most challenge type

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

ACA supports the current ECT transitional provisions for other qualifications and 'studying towards' being acceptable until 1 January 2016 (regulation 242). ACA is seeking an extension of this provision until such time as there is evidence that there is sufficient supply of ECTs nationally. This extension may well be required after the 1st January 2016 as there appears to be no evidence that there will be sufficient ECT's available by that date.

The National Law provides for a process for centre-based services to apply for temporary waivers, including in situations when an ECT cannot be sourced. Whilst generic information on this process

³⁰ACA Member Survey 2014, Australian Childcare Alliance, January 2014



has been made available by ACECQA, some State and Territory jurisdictions provide additional information to assist services in demonstrating what constitutes "reasonable efforts" to fill a vacancy at their service.

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

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

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

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

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

9.5. Vocational Training Quality

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

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

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

Of the 7,077 enrolments, only 3,172 have been able to gain employment. The remaining 3905 were unemployed or underemployed receiving welfare payments from the Australian Government³¹.

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

³¹Data supplied by the Department for Further Education, Employment, Science and Technology and is correct as at 25 October 2013.

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

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

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

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

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

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

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

9.6. Recognition and Assessment of Competencies

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

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

9.7. The NQF effect on the Workforce

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

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

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

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

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

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

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

The Early Years Quality Fund introduced by the previous Gillard government was not endorsed by ACA as it failed to recognise approximately 73% of the educators employed in the sector. The Gillard government stated that the EYQF was to increase quality in the ECEC sector. The terms of the fund did not determine that the funds went to a quality educator – in fact if an educator’s service met the paperwork demands including an Enterprise Agreement lodged with Fair Work Australia, they were eligible to receive a considerable hourly increase in wages. ACA supports the current government’s decision to redirect the fund monies to Professional Development for all educators in the long day care ECEC sector.



It is recommended that:

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



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10. NQF and other Impacts

ACA has examined the impact of NQF and other causes on the sector up to and including 1 January 2016. The list below indicates our concerns.

Affordability for families

- Costs compounding from NQF implementation and ERO case passed on to families
- First casualties vulnerable families and children at risk who have least capacity to pay
- Families caught in the “financial pincer” caused by erosion of subsidies and rising fees
- Children not accessing any ECEC program due to families finding it not financially viable for them to enter/remain in the workforce

Shortage of qualified educators to meet 2016 ratios changes

- Ratios raised = less children or more educators both outcomes higher costs for families
- Quality of VET Graduates in ECEC
- ECT's – the special conditions for ECT qualifications permitted only until 2016. This will cause services to be unable to meet requirement under Law and require additional waivers

Viability for services

- Wages – ERO case outcome
- Loss of licensed capacity due to ratio changes = This will affect the lending institutions and they will apply pressure on borrowers as their ability to repay debt is diminished
- PPL as families will be out of the workforce for longer and therefore withdraw their other children from ECEC services
- Children with Additional needs – ISS funding inadequate and administration diabolical – services having less capacity to carry the financial burden
- Rural and remote services – ever precarious situation financially and in meeting increasing staffing ratios
- Planning system to ensure that services attracting subsidies to apply to families are built in areas of high need if they require to be registered to manage government subsidies to families

Administrative burden

- Red Tape
- Inability of state governments to effect change to Law and Regulations

Assessment and Rating

- Gridlock
- Failure to ensure compliance for services
- A & R process subjective and not meeting intended outcomes of the NQS