



EARLY CHILDHOOD MANAGEMENT SERVICES

**RESPONSE TO THE PRODUCTIVITY COMMISSION'S DRAFT REPORT INTO
CHILDCARE & EARLY LEARNING**



EXECUTIVE SUMMARY

Early Childhood Management Services (ECMS) welcomes the opportunity to comment on the Productivity Commission's Draft Report into Childcare and Early Learning.

There are a number of positive recommendations in the report;

- ECMS commends the Productivity Commission for proposing additional investment to improve outcomes of children and families.
- The proposed funding model, with an appropriate deemed cost, has the potential to improve affordability for more low and middle income families.
- We welcome the recommendation for further investment for children with additional needs.
- We support the Productivity Commission's recommendation that funding from the proposed new Paid Parental Leave scheme should instead be redirected to the ECEC sector.
- We welcome the recommendation for ongoing Commonwealth funding for preschool in the year prior to school.

However, there are issues of concern and omissions as well. The Commission still has time to seize the opportunity for lasting reform, particularly in terms of vulnerable children for whom participation in quality early childhood education and care (ECEC) can be transformative.

We have organised our response to the Draft Report according to four main themes with key recommendations to make in relation to each.

1. Funding models

ECMS believes the new 'deemed rate' model proposed in the Report needs to be carefully designed to ensure fairness and affordability. We have made some recommendations regarding key design features of the new funding model.

ECMS urges the Productivity Commission to reconsider the tighter activity (work, study or training) test. As proposed it will lead to the exclusion of a number of low income and disadvantaged families from being able to participate in ECEC. We recommend that there should be a base entitlement of 24 hours per week under the ECLS for families that do not meet the activity test. This subsidy should be means tested.

Subsidies to support the inclusion of children with additional needs should be demand driven, like mainstream subsidies, not capped as the Productivity Commission has proposed.

2. Quality

Although the Draft Report supports the implementation of the National Quality Framework, a number of recommendations, specifically **Draft Recommendations 7.1, 7.2 and 7.5** will act to undermine the quality of ECEC.

ECMS recommends that we stay on course with the roll out of the National Quality Framework and conduct an evaluation into the impact of these reforms through to 2020 in order to inform future policy.

ECMS opposes the proposal for educators working with children aged birth to 36 months to only require Certificate III or equivalent. We believe that this recommendation is at odds with evidence in relation to early childhood development. There are also particular implications of this for vulnerable children.

3. Preschools

ECMS opposes removing preschools from the National Quality Framework and restructuring preschools within state-based education systems (**Draft Recommendation 7.9 and Draft Recommendation 12.9**). We believe this would undermine the gains made in quality and integration through the National Quality Framework.

ECMS supports the recommendation for the Australian Government to continue to provide funding to support the provision of preschool programs of 15 hours per week for every child in the year prior to school (**Draft recommendations 12.9, 12.10**).

4. Vulnerable children at-risk of abuse and neglect

ECMS believes that the current Special Childcare Benefit (SCCB) system is broken. It is inefficiently targeted, under-utilised by children at risk and offers no incentive or obligation for ECEC services to facilitate participation of vulnerable children.

Although the Productivity Commission has recognised the additional needs of these children the recommendations in the Draft Report (**Draft Recommendation 12.6**), will do little to remedy the current situation. Given the multitude of complex processes attached to this funding stream, we believe it requires a much more in-depth and full investigation to provide a system that meets the needs of children at risk.

ECMS proposes a number of structural changes to the way Special Early Care and Learning Subsidy (SECLS) is implemented and recommends that the Productivity Commission establish a taskforce to advise on the implementation of reforms for children at-risk of abuse and neglect.

1. FUNDING

ECMS believes the deemed cost model needs to be carefully designed to ensure fairness and affordability.

ECMS urges the Productivity Commission to reconsider the proposed activity test and recommend that there should be a means tested base entitlement to up to 24 hours per week of ECEC.

Subsidies to support the inclusion of children with additional needs should be demand driven, like mainstream subsidies.

Deemed cost model

ECMS believes the 'deemed cost' model has potential issues and traps which could be overcome through effective design.

Within ECEC, individual services are often unique with their cost structures reflecting the individuality of their service offering in response to community needs and their underlying ownership and capital structure. With these complexities any flaws in the determination of the 'deemed cost' will have the potential to adversely impact the viability of ECEC services. It could also adversely impact the affordability of ECEC services for low income and disadvantaged families.

In the short term a 'deemed cost' approach may place downward pressure on childcare fees. However, there is a risk that, if the deemed cost is not formulated or indexed appropriately, there will be an increasing gap between the 'deemed cost' and the childcare fee. Over the medium to long term this will reduce affordability. Similarly, a widening gap between the 'deemed rate' and the charged rate will adversely impact low income and disadvantaged families. For example families on Special Child Care Benefit currently get the full cost of their care met by the subsidy but under the new scheme they will only get 100% of the deemed cost. Where the deemed cost does not meet the fee charged, families will have to pay a gap.

A 'deemed cost model needs to be flexible enough to take into account the following;

- The variability in costs driven by the method of funding / sourcing the fixed infrastructure (premises). Based on our experience, the requirement to pay a commercial rent can add up to \$2 per hour per child to the cost of service provision (\$22 per day per child or \$110 per week per child for most centres).
- The ownership / financial structure of services. This will also have a significant bearing on the cost structure as the cost of any borrowings will need to be included in the 'deemed cost', typically community and not for profit providers which usually have no borrowings will have a cost advantage here. Also the cost of borrowing and its

proportion of a services total costs can vary significantly depending upon the prevailing interest rate regime in operation at the time.

The ECEC specific cost price index. The ECEC cost index has over the last 7 years run at a level which is higher than the CPI. If the 'deemed cost' is indexed to the CPI it will mean a widening of the gap between the parent fee and the subsidy as services increase their fees at a rate which is higher than the CPI in order to ensure their total costs are being met. An appropriate index or method for for increasing the 'deemed cost' will need to be developed.

- Variability in cost of care. The 'deemed cost' per hour per child may vary significantly between services, even though the services are being run at equal efficiency. This may be due to the;
 - geographic location of the service
 - social demographics in which the service is located
 - structure of the building within which the service operates (number of rooms and/or number of floors)
 - age profile and mix of the children attending the service
 - utilisation level of the service (how close to full capacity it operates. In our experience this has a profound on the cost per hour per child)
 - relative qualifications of the staff working within the service

ECMS experience is that the 'deemed cost' per hour per child (excluding rents) varies from a low of \$6.25 per hour to a high of \$7.80 per hour with an average of \$7.10 per hour.

ECMS suggests that the design of the deemed cost model should take into consideration two key elements and therefore the parent subsidy be should be tiered. The two elements of the 'deemed cost' model would be:

1. The cost component excluding commercial rents which using the ECMS experience as a guide could be set at \$7.30 per hour per child; and
2. The commercial rent component which would be applicable only to those services which paid commercial rents which based on ECMS experience could be set at \$1.50 per hour per child.

This approach creates a two tiered parent subsidy where if the service paid peppercorn rents the parent subsidy would be based on \$7.30 per hour per child and the service paid commercial rents the parent subsidy would be based on \$8.80 per hour per child (Please note that these numbers are an example using the ECMS specific data across its service profile and would have to be more extensively modelled using larger data sets).

Administering a two-tiered parent fee subsidy would be relatively efficient as the service provider number is provided when the parents claim the subsidy. It would be relatively easy to have a flag created to differentiate those services which are paying a commercial rent and those services which did not. This would prevent those services paying peppercorn rents from being able to generate 'super profits' under a single cost 'deemed cost' model whilst other services which pay commercial rents are financially unsustainable.

ECMS does not support a 'deemed cost' model which differentiates the cost per hour based on the age of the child. ECMS modelling of its own portfolio shows that between 65% - 80% of the total cost of providing ECEC is bound up in the payment of staffing costs. The actual staff cost ratio in the main being dependent upon the whether the service pays a commercial rent. The cost per hour of staffing a service is very much dependent on the ratio of the number of children < 3 years old and the number of children => 3 years old. If a pure 'deemed cost' model was applied to determine the cost per hour per child for those children < 3 years old and those children => 3 years old the respective cost per hour based on a typical ECMS service (excluding rent) would be;

- \$9.94 per hour per child for children <3 years old; and
- \$4.26 per hour per child for children => 3 years old

When applying this method to determine the 'deemed cost', parents with children < 3 years old maybe discouraged from returning to the workforce until the children reached 3 years old. Cross subsidisation of the cost of ECEC between age groups meets an important social equity objective with most children being enrolled in ECEC long enough (1 year old – 5 years old) to allow for the age based cross subsidisation to equalise itself over the period of time the child is in ECEC.

Tighter activity test will exclude low income and disadvantaged families

ECMS believes that a number of disadvantaged children who are currently subsidised will miss out on benefits and access to quality ECEC.

Draft Recommendation 12.2 which proposes the streamlining of CCB, CCR and JETCCFA and Draft recommendation 12.4 which proposes new categories of eligibility and means testing for subsidies, will make the system unaffordable for some low income families who will no longer be entitled to subsidies because they do not fulfil the activity test. Under existing CCB rules, families are entitled to the first 24 hours of care without fulfilling any Work or Study Test.

ECMS estimates that 10% (around 120 children) of families in its services are accessing 24 hours per week of the CCB alone. The large majority of these families are from low income or

disadvantaged backgrounds and are unlikely to participate in ECEC if the we activity test is introduced.

ECMS urges the Productivity Commission to reconsider the activity test and recommends that a base entitlement of access to a maximum of 24 hours ECEC be retained for families that do not meet the activity test, in light of the significant benefits for children's development of quality early learning. ECMS recommends that eligibility for this base entitlement is limited to families on less than \$100k (for one child and increased for subsequent children), consistent with the new primary earner income limit for Family Tax Benefit Part B proposed by the Government in the 2014-15 Budget.

Special early care and learning subsidy (SECLS) - funding for children who are vulnerable and have additional needs should be a priority.

ECMS welcome aspects of the Commission's Draft Report, particularly the establishment of the SECLS and the extension of the subsidy to include 100 hours per fortnight of support. However, the design of the SECLS and its inter-relationship with other policy frameworks (i.e. NDIS, Welfare reform) will require careful planning and implementation so as to avoid the unintended consequences of creating barriers to inclusion and participation.

ECMS has a number of concerns as they relate to children at risk and these are outlined in Section 4.

In this area ECMS would like to draw specific attention to the SECLS as it relates to children living with disability and additional needs – the impact of the Commission's recommendations is considered in the context of the story of Mannix (see case study).

Importance of inclusion for children, parents and families

ECMS believes that universal ECEC services are the most efficient and effective platform for inclusion – in an ECEC setting children with disability learn and build relationships, they increase their communication and social skills through interaction with typically developing children, while typically developing children learn about the similarities and differences and to be accepting of difference. At the same time, inclusion in universal ECEC services means that parents and families are less isolated, feel more positive about their child and have greater confidence in their choices about returning to work.

From our perspective 'inclusion' is about children with a disability or developmental delay participating fully in an ECEC program alongside their peers and receiving the same priority and high expectations as other children. As a large provider of services across multiple settings (long day care, family day care and preschool) ECMS seeks to ensure staff have the resources and supports to respond to the more complex behaviours and needs of children with a disability.

ECMS partners with specialist early intervention and inclusion support providers such as Noah's Ark to access supports and resources to assist our services.

Key risks and barriers to inclusion in the draft recommendations:

- The SECLS must be demand driven, not capped - ECMS opposes any suggestion that the SECLS would be capped, rationed or its allocation prioritised amongst additional needs groups. This will work counter to the principles of inclusion, lead to clustering of specialised services, segregate children based on need and undermine the development of ECEC as a universal service platform;
- The approach must compliment, not counter NDIS reforms – ECMS urges the Commission to consider the design of SECLS against the principles and intent behind the National Disability Insurance Scheme (NDIS). NDIS is premised on the notion of empowering client choice and control over the decisions that impact their lives. In this regard a parent's choice of ECEC for their child with disability should not be constrained by rigid criteria and systems placed around access to funding for additional needs;
- Enable flexible response based on need – ECMS strongly recommends that the Commission embed in the design of the SECLS, the capacity for ECEC services to access funding based on the needs of the child. Children with a disability require a multi-tiered and flexible response that evolves with their development and growth.

ECMS wishes to acknowledge the advice of our service partner, Noah's Ark in preparing this response.

Manix's story

Manix is as inquisitive and adventurous as any little five year old boy—his laughter infectious, his energy abundant, just as you would expect a little boy to be. You wouldn't know it to look at him, but Manix's brain learns differently to most other children his age. At three years old, he was diagnosed with autism.

His mother Mei explains, 'Manix's memory and learning capacity is just incredible—he craves knowledge. We knew that kindergarten was going to be the perfect opportunity for him to explore, develop, play and socialise, we just wanted to provide him with that opportunity as any parent would'.

For Manix's parents Rob and Mei, navigating their son's early education journey was complicated.

'Because of Manix's autism he had significant difficulties settling into the four-year-old program at his former kindergarten,' Mei says. 'He had severe separation anxiety, which required a range of strategies to handle effectively.

'A particular specialist support service was great in providing us with approaches which worked well for Manix, we just didn't feel supported by our former kindergarten to implement them. We were frustrated by the lack of assistance and willingness of the kindergarten to offer an inclusive program, even more so when we tried to access eligible Kindergarten Inclusion Support (KIS) funding to give him every opportunity in the program', Manix's father Rob says.

'After months of anxiety, and an unsuccessful funding application, we contacted our local council, who referred us to ECMS's Caulfield Primary Early Childhood Centre. Because we'd had such a negative experience, we weren't really sure what to expect. Although from the moment we met Karin Port and the education team at the centre we felt an enormous sense of relief. We knew that their approach was special and encompassed many of our family's requirements'.

Lead Educator at Caulfield Primary Early Childhood Centre Karin Port explains, 'Our role as educators is to enable all children, with assistance and support, to attend kindergarten.

'Manix's needs require ongoing, consistent and committed support. The first thing we focused on was implementing a transition plan to assist Manix to settle into his new kindergarten. Its emphasis was learning about his interests and strengths and building a sense of trust with Manix and his family. ECMS were committed to put support systems in place prior to Manix's commencement. This included providing the funds necessary to employ an additional co-educator to work with all the children in the group. We also completed an appeal application for KIS funding.

'With a successful funding application, the pre-school was able to maintain the dedicated co-educator assisting the whole group whilst Manix was attending the program. We also were able to focus on the strategies set out by the ECMS team, facilitating his learning via an integrated approach.

Karin delights, 'He is such a great contributor to our program and is greatly valued by the educators and his peers. He has taught me so much and together we have shared such positive learning outcomes.'

'We've been overwhelmed by the amount of effort and help that the whole team has given our family,' Rob says. 'Each of the educators has helped expand Manix's world and built his confidence which has facilitated a smoother transition into school.

'We appreciate all the people involved with Manix's early learning journey and are thankful for the educated staff, their positive attitudes and the supports they have in place for both the educators and the children.'

2. QUALITY

ECMS recommends that we stay on course with the roll out of the National Quality Framework and conduct an evaluation into the impact of these reforms through to 2020.

ECMS opposes the proposal for educators working with children aged birth to 36 months to only require Certificate III or equivalent.

Although the draft report supports the implementation of the National Quality Framework, a number of recommendations, specifically Draft Recommendations 7.1, 7.2 and 7.5 actually undermine that support.

The developmental needs of children under three

It is concerning that a number of the Productivity Commission's recommendations appear to be at odds with the emerging evidence around the most effective service models, particularly for very young children.

In particular, ECMS have concerns with the Productivity Commission's recommendations to reduce the qualification requirements for children under 36 months. In recent years our knowledge of early childhood development, particularly in terms of our knowledge of brain development for children from birth to the age of three, has grown exponentially (Siegel 2001, Shonkoff, 2009, 2011, Zero to Three Foundation 2009). We strongly believe that removing the qualification requirements for children under 36 months contradicts the sound and very persuasive evidence into brain development and the benefits of age-appropriate curriculum. If implemented, we see these recommendations not just undermining learning outcomes for children but also eroding parent confidence in the system of childcare and early learning that we've been able to grow and develop.

There is increasing international and Australian evidence on the importance of qualifications to the provision of ECEC and the benefits for children from birth to 36 months.

Well-respected Australian early childhood educator, Anne Stonehouse, notes that:

Excellence in programs for babies and toddlers occurs only when educators have considerable knowledge and skills. Providing good quality programs for under threes is in some ways more complex than providing them for over threes. Their cues are subtler. They are more vulnerable. You have to be cleverer about building learning into daily routines. Strong family-educator partnerships are more critical. Culturally based child rearing practices are more prominent. Strong informed leadership of other educators is crucial, as perceptions of the complexity and importance of their role vary widely. There are fewer models of good practice to learn from."

According to the OECD (2012) *Starting Strong III: Early Childhood Education and Care*, positive social interactions between a child and educator, and a safe and engaging environment are crucial to learning outcomes. A blog published by the Australian Children's Education and Care Quality Authority (ACECQA) recently argued that:

Educators with higher qualifications and standards of training are better able to engage children, and use strategies to extend and support learning, which will provide improved learning environments and sensitive care".
(ACECQA Blog July 2014).

The Centre for the Developing Child (2007) notes that highly skilled staff and age appropriate curriculum in a stimulating, language-rich environment are key elements in ensuring that centre based early childhood education is effective, particularly for vulnerable children.

Based on this evidence, we query a Certificate III trained educator's ability to respond to children's individual needs without the support of a more highly qualified educator.

ECMS urges the Commission to reconsider this Recommendation, which is not based on good evidence, and maintain the current qualification ratio requirements for children under 36 months.

Support for the NQF

As an approved provider, ECMS fully supports and practices within the National Quality Framework. Our educational leaders affirm that the NQF provides a benchmark and practical tools to enhance curriculum development and guide practice. Unlike earlier accreditation systems our educators see the NQF as a 'living' framework that will drive improved service delivery for all children.

ECMS is aware that a minority of providers within the sector have claimed that the NQF is an unnecessary expense and are seeking to water down various aspects of the Framework. The ECMS experience is that the implementation of the NQF did not involve substantial additional costs. Our view is that the NQF is driving the professional development and standing of staff in the sector as well as driving key improvements in services. The NQF has been developed in a consultative fashion with the sector, it should be given sufficient opportunity to 'bed down' across the sector before review or watering down.

Maintain staff ratios at all times

We believe that ratios should be maintained at all times and we do not support ratios being provided on an average basis across a week or a day. Minimum ratios are in place to ensure adequate supervision and allow the children to maintain stable relationships with the educators, which also lead to high quality outcomes for children.

Continued investment in ECEC workforce is the key to optimising child development

We agree with the Commission that a professional and skilled workforce is critical to achieving quality ECEC services and consistent learning and development outcomes for children. From ECMS's perspective, feedback from parents also affirms that the quality and professionalism of the workforce and their relationships with parents are important elements in ensuring parents have confidence in their decision to place their child in ECEC and return to work.

We note that the Productivity Commission conducted an inquiry into the workforce needs of the early childhood sector in 2011 and that the Commission has referenced that work in this Inquiry. ECMS strongly advocates that the issues highlighted in the 2011 report must also be considered in any future reform of ECEC, particularly:

- Pay and conditions: The implications of future wage movements need to be considered in the design of the funding model so that increases in staff costs do not negatively impact affordability for parents.
- Recruitment, retention and workforce shortages: With an ageing workforce in the preschool sector, ECMS is projecting that approximately 30% of experienced educators will leave sector over the next 5-10 years. With only 1% of our preschool educators less than 25 years of age we see strategies to increase graduate recruitment as a priority. The demographic profile in long day care is different – there is a more even spread of educators across all age ranges – the challenge to attract and retain a skilled and appropriately qualified staff is well documented and remains a priority.

ECMS does not believe that easing the regulatory reforms (i.e. staff ratios and qualification requirements) will alleviate these issues. Further, ECMS does not believe that the market alone can respond to the challenges outlined above. ECMS believes there is a critical role for government, working in partnership with the ECEC sector to build the workforce of the future that will deliver the productivity gains derived from increased workforce participation and child development.

Support for the extension of the NQF to all ECEC service types

ECMS supports the recommendation that the NQF should be extended to all centre and home based services, including home based carers such as nannies (**Draft Recommendation 7.8**). However, in the interest of quality and outcomes for children, ECMS recommends that nanny services must operate with the appropriate level of education leadership and oversight and under the same or similar organising principles as exists for family day care schemes across Australia.

3. PRESCHOOL

ECMS opposes removing preschools from the National Quality Framework and restructuring preschools within state-based education systems.

Preschools and the National Quality Framework

Increasingly, the ages between birth and five-years-old are recognised as a specific developmental stage where children have quite distinct care and educational needs. The National Quality Framework (NQF) is based on the recognition that the best way to meet the specific care and developmental needs of young children is through an integrated early childhood education and care system, with a consistent philosophy and set of quality standards. Early childhood education and care, inclusive of preschool, should be seen as an integrated system in its own right. In our view, it is not appropriate to carve out preschool for the over threes and reallocate it to state based education systems.

ECMS opposes **Draft Recommendation 7.9** which proposes that dedicated preschools should be removed from the scope of the NQF and regulated by state and territory governments. Our view is that this would undermine the significant reforms made in the sector over recent years including the breaking down of perceptions around the quality of the program delivered in long day care versus a standalone preschool and would fragment a system that has only recently become more integrated under the NQF. It would run the risk of having two different types of preschool running concurrently and would probably pose further challenges to attracting and retaining Bachelor Qualified Early Childhood professionals in the long day care setting.

ECMS has concerns with regard to **Draft Recommendation 12.9** that proposes that the Australian Government negotiate with schools to incorporate their funding for preschool into the funding for schools, and encourage school services to include preschool. This proposal requires clarification. Specifically, how would it impact on LDC preschool funding and what funding model would be implemented?

Will all preschools need to be co-located with schools? Would schools have a role in managing preschools in their local area, even those in long day care settings?

The suggestion that preschools be included in the school system would require a significant adjustment to curriculum in order to accommodate age difference and to ensure the curriculum is appropriate. Currently the management of preschool services and the training provided to primary school teachers is not geared to children within the 3-5 years, this would require an enormous systemic change to ensure teachers/Principals have the relevant training, understanding and skills in order to effectively integrate preschools into schools, at a significantly greater cost than leaving preschools under the National Quality Framework and current funding model.

ECMS brings experience in operating preschool programs on schools sites and has an understanding of the differences between schools and ECEC. For example, ECMS currently manages the Caulfield Primary Early Learning Centre which is co-located within Caulfield Primary School. The school acknowledges that it is not equipped to run preschool services, the school's Principal and leadership team are not equipped in regard to the education of children aged 3-5 years or in compliance and programming. The school would have to employ someone to specifically run the early childhood service. Schools and preschool services like the programs offered at Caulfield Primary Early Learning Centre currently have the opportunity to provide joined up programs that benefit all children and provide a seamless transitions for families without the preschool being funded as part of the school's budget and with its program being embedded within the National Quality Framework. In fact the model as outlined in the case study is strengthened because there are separate management structures allowing the service on the ground to operate without the additional complexities involved funding and meeting different regulatory requirements which currently exist between preschools and schools.

In considering the terms of reference of the Inquiry, ECMS sees little to be gained for children and parents in a wholesale restructure of the early childhood education and care sector in this manner. Through the NQF and other measures, the preschool sector has seen enormous change over the last five years, to the point where we now have a national system, consistency in standards and we are seeing outstanding improvement in terms of increased participation levels and outcomes for children. To restructure at this point would be to seriously undermine the professionalisation, integration and improvements in quality that have occurred across the early childhood sector with the ongoing implementation of the NQF. This is no time to tinker with the gains that the sector has made in that space, particularly when there is no evidence that a restructure would have better outcomes for children and their families.

The strength of the service system including the introduction of Universal Access (15 hours of funded preschool) and the introduction of the NQF has contributed to the higher level of preschool participation across the nation. The removal of preschools from the NQF would jeopardise the national consistency in regard to quality.

Funding for 15 hours of preschool in the year prior to school

ECMS supports the recommendation for the Australian Government to continue to provide 15 hours per week for children to attend preschool in the year prior to school (**Draft recommendations 12.9, 12.10**).

If Federal funding does not continue, preschools will only be funded for 10 hours (in Victoria) which will significantly increase parent's fees making it unaffordable for many families including vulnerable and at risk children. With upcoming changes to ratios in 2016, if funding is reduced this will make it difficult to recruit staff which will lead to the de-stabilisation of an already strained workforce.

ECMS, and others, would also argue that the universal entitlement for funding for preschool should be extended to three-year-olds, particularly within disadvantaged areas.

Participation in preschool and FTBA

ECMS would recommend that the Commission proceed with caution in relation to **Draft Recommendation 5.1** which recommends that a proportion of FTBA be linked to attendance at preschool. While this might be appropriate in a small minority of circumstances where all other measures have failed to ensure that vulnerable families make contact with services, it also has a number of risks. These include potentially undermining the relationships between families and educators and putting educators in an uncomfortable position regarding 'reporting' parents to the relevant authorities. This should not be a blanket requirement for FTBA. If this recommendation is implemented, measures should be taken to ensure that there are no out of pocket fees for families attending preschool.

4. IMPROVING ACCESS AND PARTICIPATION FOR AT-RISK CHILDREN

ECMS believes that the recommendations will do little to address the inherent weaknesses in the current system for at-risk children.

ECMS strongly advocates the establishment of a taskforce to make recommendations on the implementation of reforms for children at-risk.

There is overwhelming, empirically sound and persuasive evidence that increasing the access and participation of vulnerable children and their families in high quality ECEC services improves long term developmental outcomes and return significant productivity gains for the economy and the broader community.

Defining vulnerability is critical in enabling identification of some of the structural barriers these children face in accessing and participating in ECEC. The notion of vulnerability is ambiguous. All children are vulnerable through their dependency and reliance on others for ethical care. Vulnerability can be inherent, situational and pathogenic and requires proactive interventions and concerted undertakings of inclusion and support to mitigate.

Situational circumstances that pose threats to childhood vulnerabilities are broad ranging. Chronic conditions of risk and abuse including, family violence, child sexual abuse, parental drug & alcohol misuse, mental health issues and poverty, to situations of significant disadvantage; cultural background such as Aboriginal Torres Strait Islander status, refugee experience, disability, low-income and geographical location all contribute to significantly increasing the risk of harm to children (many of these circumstances are across the socio-economic spectrum and not limited to families in low socio-economic groups).

Occurrent (Mackenzie 2011) vulnerability is 'treatable' and can be mitigated with the right care, leading to resilience, participation and contribution whereas inherent vulnerability tends to be a more permanent dependant state. In this context ECMS defines vulnerability as children at risk of neglect or abuse.



(Bruce Perry 2002)

This is a brain slide of two, three-year-old children. While the one on the left has had a relatively normal life experience, the one on the right has been severely neglected at home. Both these children were born with the same size brains. Brain development is at its peak before the age of three. This time is not recoupable. We can't go back and grow this child's brain. The damage is permanent and defining and what's more, preventable.

Gaps in cognitive and social skills that develop early in life become entrenched in later years. This happens because 'life cycle skill formation is dynamic and hierarchical' (Heckman 2011) – children who miss out at an early age lack the necessary building blocks and foundation for subsequent learning and this is cumulative. Children with deficits in their cognitive and social skills before the age of five will have these gaps persist into adulthood leading them to missed opportunities to achieve, participate and contribute.

Vulnerable at-risk children often live in families that are chaotic, transient, not connected to services and are difficult to find. Having these children and families connected to, and attending, ECEC regularly and throughout their early childhood mitigates much of this chaos. The well- respected paediatrician and neuroscientist, Jack Shonkoff notes that:

'Curricular enhancements in early childhood education that are guided by the science of learning must be augmented by protective interventions informed by the biology of adversity. The same neuroplasticity that leaves emotional regulation, behavioural adaptation, and executive functioning skills vulnerable to early disruption by stressful environments also enables their successful development through focused interventions during sensitive periods in their maturation. The early childhood field should therefore combine cognitive-linguistic enrichment with greater attention to preventing, reducing, or mitigating the consequences of significant adversity on the developing brain. Guided by this enhanced theory of change, scientists, practitioners, and policy-makers must work together to design, implement, and evaluate innovative strategies to produce substantially greater impacts than those achieved by existing programs'
(Shonkoff 2011)

Support must be demand driven (not capped) and continuous

As a first principle in responding to the needs of at-risk children ECMS would urge the Productivity Commission to reconsider recommendations that may lead to rationing or place a cap on subsidies for at risk children. At present, there exists an 18% cap on access to the Special Childcare Benefit. This serves to restrict access to ECEC for at risk children and must be removed. The evidence of the social and economic benefits of early intervention along with access to quality early learning for at risk children is compelling and ECMS urges the Commission to recommend that all children known to child protection and/or secondary family support services have an entitlement to up to 24 hours a week of free ECEC for their entire early childhood.

We note also that recommendations for the support for families experiencing temporary financial hardship will no longer be available. This is likely to exclude a number of vulnerable at risk families from access to ECEC. We recommend this be reconsidered.

Streamline and simplify access to ECEC for at-risk children

ECMS was pleased to note that the analysis in the Productivity Commission's Draft Report has recognised that the current system of providing support to at-risk children is inadequate and that there are gains both for children and for the community in improving greater participation in ECEC for these children, and in increasing levels of funding.

However, ECMS is concerned that the Special Early Care and Learning Subsidy (SECLS) for children at-risk as proposed will not in itself, address the structural barriers to the inclusion of children at-risk of abuse and neglect who need to be in services the most yet, attend the least.

Under the existing system, the eligibility for meeting the criteria for Special Childcare Benefit (SCCB) is ambiguous and the process of approval is inconsistent. This causes confusion, hours of paperwork and chasing evidence for proof only to be rejected. In our view the proposed new system of a Special Early Care and Learning Subsidy (SECLS) will fail to address these issues and also adds some new complications and potential barriers to ECEC for at risk children.

We strongly recommend the development of an assessment tool/framework clearly defining the criteria of eligibility with a list of guidelines on the evidence required to apply. This would provide a 'checklist' for ECEC services enabling clearer understandings and prevent loss of time spent on inappropriate applications that do not meet the stated requirement.

We would also recommend that this assessment tool/framework be used by the Family Assistance Office Team who process applications for SECLS. This would lead to transparency and true assessment against a commonly understood set of criteria/framework

as opposed to an administration process that is currently arbitrary and inconsistent. We would also recommend providing comprehensive information and training for ECEC services and families outlining the support and assistance available through the SECLS.

SECLS is restricted to situations requiring a referral to Child Protection and the assignment of a case manager. It should be recognised that under the existing system, assignment of a case manager is often a short-term intervention to manage an immediate risk and there is no reason to believe that this will change under the new system. Once the child is attending services there is a real risk that all supports including provision of SECLS fall away and in many cases could lead to re-occurrence of risk, re-referral into secondary and tertiary service systems and the loss of an ECEC place. A case study based on a real family is included below.

This revolving door process is inefficient and expensive. The process and timeframe of reapplication will remain unrealistic, cumbersome, time consuming with the risk that the application is often not approved second and third time round. This process often leaves ECEC service either carrying a loss in payment for the place not being funded or having to exclude the child from using the centre. This acts as a disincentive for centres to facilitate access for vulnerable children in the first place.

Maintaining vulnerable children in universal primary ECEC services is not only good for them it is economically sound as entry and re-entry into secondary and tertiary service systems is costly, short term and often ineffective.

Sustaining participation of at risk children in ECEC

We urge the Commission to recommend reducing the complexity and administration of the application process by providing all children known to child protection and/or secondary family support services access to 20 hours a week of free ECEC for their entire early childhood.

We recommend that once the child has a place at an ECEC and risk has been established by tertiary Child Protection/Family Support Services administrative burdens should be reduced by enabling the service to provide updates on the status of the child (in line with the suggested assessment tool above) for a year. This would reduce administration burdens for the ECEC and FAO team as they would be able to issue renewal for up to a year against their own guidelines before reviewing the status of risk annually. The risks often facing these children are much more likely to be issues that take more than 13/26 weeks to resolve. Attendance will only reduce risk if it is consistent and for the life of the risk.

ECMS strongly advises the Commission to increase the level of SECLS to meet the additional costs incurred for ECEC services in providing additional supports and care for children with challenging behaviours and complex needs.

It should be noted that the ECEC services need to be of high quality for vulnerable children as poor quality services are in fact harmful to vulnerable children, so this process would need to be in services that meet or exceed NQS. Please see our other comments in relation to quality, particularly in relation to the need for qualified staff providing care for children under three years.

Bring SECLS into line with the needs of at-risk children

The current SCCB system is broken. It is inefficiently targeted, under-utilised by children at-risk and offers no incentive or obligation for ECEC services to facilitate participation of vulnerable children. The design of the SECLS will do little to remedy this situation. Given the multitude of complex labyrinthine processes attached to this funding stream, we believe it requires a much more in-depth and full investigation to provide a system that meets the needs of vulnerable children.

We urge the Productivity Commission to recommend the establishment of a taskforce to consider how the entitlement of a child at risk to support under the SECLS should be implemented in practice to ensure alignment with the needs of those children.

Scope

The taskforce will have a particular focus on the effective and efficient inclusion and sustained participation of vulnerable at-risk children in ECEC.

Proposed Terms of Reference

1. To consider the final report of the Productivity Commission and make recommendations on how the entitlement of a child at-risk to support under the SECLS should be implemented in practice to ensure alignment with the needs of those children;
2. To make recommendations on the implementation of SECLS and related matters that will enhance the access and participation of children at-risk in ECEC;
3. In considering the design and implementation of SECLS and related matters to consider the interface with the broader service system (e.g. welfare, child protection, NDIS);
4. To assess and make recommendations on the implications for the ECEC workforce;
5. To identify and make recommendations on specific models of care that should be considered for trial or implementation in Australia, with consideration given to international models and
6. To propose a framework for evaluation and assessment of the effectiveness of policy and practices as they relate to children at risk.

A detailed outline of the Terms of Reference of the taskforce is included in Appendix 1

Since the release of the Draft Report on 22 July, ECMS has worked closely with other sector partners – notably, Early Childhood Australia, GoodStart Early Learning, the Centre for Community Child Health at the Murdoch Children’s Research Institute, Early Learning Association Australia, Community Child Care Association (Victoria) and others – to ensure that the sector and community are able to collectively respond to the wide ranging commentary and proposals outlined in the draft report. We commend the submissions of our colleagues to the Commission.

In consultation with representatives of all these sector partners, each has committed to participate in this taskforce given the opportunity.

This group would welcome the opportunity to work with policy personnel to develop lasting policy reform to better meet the needs of vulnerable children.

CASE STUDY

A young single mother has three children aged five, three and one year old. The father is currently in prison for assault.

The five year old is severely disabled isn’t mobile and is non-verbal. The children often present as dirty and hungry. The three year old presents with very challenging behaviours such as swearing and spitting and has recently lapsed back into using nappies. He is undiagnosed therefore no additional resources are available to support his maintenance in ECEC services.

The one year old is mute and disengaged. The mother suffers from depression that has resulted in a dependence on prescription medication. There is also a history of substance abuse with the use of ICE. The mother is isolated as she moved away from her extended family due to family violence. Her involvement with Family Services/Child Protection is irregular as she is reluctant to engage with services, transient and doesn’t trust government agencies.

These children were enrolled into a local ECEC services and this case was prosecuted for SCCB over a number of quarters. When Child Protection was involved with the family, the case was approved. When they had withdrawn or it was difficult for ECEC to track them down for support letters, each claim was rejected. More evidence was required (medical certificates of diagnosis of depression of mother, statements from Child Protection reiterating risks). The mother refused permission for the ECEC service to speak with her GP so it was difficult to get evidence of depression. After the third application for SCCB the ECEC service were informed that due to the length of time of service involvement (i.e. eight months) there should have been some improvement so more, new evidence was required to quantify the risks. Mum, in the meantime had overdosed and the children were placed in temporary out of home care and therefore no longer at risk or eligible for SCCB.

These children are at risk. They don’t have a doctor’s letter or Child Protection services following up because they are in temporary out of home care. Only a very tenacious and resourced ECEC service that has the best interests of these children in mind would follow up. They fly under the radar, go unrecognised and unnoticed til they arrive at school, when it’s too late and they begin to really cost.

About ECMS

As a large service provider with a mission and a vision that is centred on building human and social capital, and realising potential for children and families, ECMS brings to this Inquiry a wealth of service wisdom as well as the knowledge gained from working alongside over 10,000 parents each day.

For over sixteen years Early Childhood Management Services (ECMS) have been providing early childhood education and care for children, parents, families and communities across Melbourne.

As a not-for-profit community enterprise, our early learning programs touch the lives of 6500 children and families - from managing and supporting kindergartens, activity groups and early learning centres/hubs through to family day care schemes.

ECMS operates 70 licensed early education services including preschool and kindergarten, long day care and family day care.

In recent years ECMS has established an integrated early years hub and kindergarten programs integrated into school sites realising the benefits that joined up services provide.

Our services meet the needs of children and families in many varied and diverse communities across Victoria.

All of our services are provided in partnership with families, parent committees, government, business, schools and other community-based organisations. We currently operate in 18 local government regions in the state.

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Appendix 1 - Terms of Reference

Bringing Australia's System of ECEC into line with the needs of children at risk

Background

In tasking the Productivity Commission with an Inquiry into Childcare and Early Learning, the Commonwealth Government has in part acknowledged that the current Early Childhood Education and Care (ECEC) system fails to reach and properly support the needs of vulnerable children. In 2011-12 there were approximately 48,000 substantiated cases of child abuse and neglect concerning 38,000 children in Australia. Children aged less than one were the most likely to be the subject of a substantiation of abuse or neglect.

These children are largely underrepresented in our system of ECEC. However, there is overwhelming, empirically sound and persuasive evidence that increasing the access and participation of children at-risk and their families in high quality ECEC services improves long term developmental outcomes and return significant productivity gains for the economy and the broader community.

The current systems of support have failed to facilitate the level of access to quality ECEC for vulnerable children – the Special Childcare Benefit is target inefficient, under-utilised and offers little incentive or obligation on ECEC services to facilitate greater participation of vulnerable children.

In its Draft Report, the Commission has outlined a number of recommendations, including the introduction of a new Special Early Care and Learning Subsidy (SECLS). Our experience in working with the complex and multidimensional needs of children at risk demonstrates that support must be continuous (not intermittent) and demand driven. While the intent behind the SECLS to target additional support to those in most need is welcomed, the design of the subsidy and its inter-relationship with other policy and systems of support will be critical in maximising the access and participation of children at risk in ECEC in ways that optimise social outcomes and economic benefits to the nation.

We urge the Productivity Commission to recommend the establishment of a taskforce to consider how the entitlement of a child at-risk to support under the SECLS should be implemented in practice to ensure alignment with the needs of those children.

Scope

The taskforce will have a particular focus on the effective and efficient inclusion and sustained participation of vulnerable, at-risk children in ECEC.

Terms of Reference

1. To consider the Report of the Productivity Commission and make recommendations on how the entitlement of a child at-risk to support under the SECLS should be implemented in practice to ensure alignment with the needs of those children;
2. To make recommendations on the implementation of SECLS and related matters that will enhance the access and participation of children at risk in ECEC;
3. In considering the design and implementation of SECLS and related matters to consider the interface with the broader service system (eg: welfare, child protection, NDIS);
4. To assess and make recommendations on the implications for the ECEC workforce;
5. To identify and make recommendations on specific models of care that should be considered for trial or implementation in Australia, with consideration given to international models;
6. To propose a framework for evaluation and assessment of the effectiveness of policy and practices as they relate to children at risk.

Composition of Taskforce

It is proposed that the taskforce bring together individuals and organisations combining ECEC policy, research and practice with both national and international perspectives. The following individuals and organisations are committed to resourcing this important work:

- The Centre for Community Child Health at the Murdoch Children's Research Institute;
- Early Childhood Management Services;
- Early Childhood Australia;
- Goodstart Early Learning;
- Benevolent Society
- Early Learning Association Australia;
- Community Child Care Association (Victoria);
- International thought leaders (eg: Professor Ted Melhuish).

Timelines

The taskforce aims to undertake the work and make recommendations to Government within an agreed timeframe aligned with the May 2015 Budget.