



Early Childhood Australia

A voice for young children

**OUR
VISION:
EVERY
YOUNG
CHILD IS
THRIVING
AND
LEARNING**

Response to the Productivity Commission's Draft Report on the Inquiry into Child Care and Early Childhood Learning

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About us

Early Childhood Australia (ECA) is the national peak early childhood advocacy organisation, acting in the interests of young children, their families and those in the early childhood field. ECA advocates for quality in education and care as well as social justice and equity for children from birth to eight years. We have a federated structure with Branches in each state and territory. In 2013, ECA celebrated 75 years of continuous service to the Australian community since 1938.

About this submission

This is ECA's second formal submission to the Productivity Commission's Inquiry into Child Care and Early Childhood Learning. Our first submission is available at www.earlychildhoodaustralia.org.au or on the Inquiry website. ECA draws on the knowledge and contributions of our members, early childhood experts and the broader sector to contribute to the Inquiry. We support reforms in early childhood education and care where these reforms will deliver better outcomes for young children, their families and the Australian community more broadly.

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1 Introduction

Early Childhood Australia (ECA) welcomes the Productivity Commission (the 'Commission') on a comprehensive Draft Report that captures the breadth of issues and complexities in the current system of early childhood education and care (ECEC) across Australia.

We have examined the report in detail and we have consulted widely to inform our response. We have participated in a number of briefings and meetings to discuss various recommendations and conducted a survey of ECA members to gauge reactions to the Draft Report. The survey was completed by 226 respondents who were predominantly early childhood educators, service directors/managers or an early childhood expert (academic, consultant or advocate). More demographic information about the survey respondents is provided at Attachment 1.

In our response, ECA continues to advocate that the best interests of children should be at the centre of any future reform of the early childhood education and care system. We have previously argued for the development of an ECEC Outcomes Framework to clarify the systemic objectives for investing in early childhood services. We continue to believe that this is fundamentally important. It is appropriate to invest substantially in early childhood education but for this investment to be sustained and valued; the economic and social benefits need to be articulated and measured.

Participation in quality early learning amplifies children's early development, whilst also supporting parent's workforce participation, making a significant contribution to the nation's economy. If the social and economic benefits of ECEC were appropriately measured and valued, there would be a strong case for increasing investment over time. Currently, Australia's investment in early childhood education falls below comparable Organisation for Economic Cooperation and Development (OECD) countries¹. System reform to increase participation, address affordability and accessibility will require additional investment. ECA does not support savings identified in the Draft Report that arise from excluding children from accessing early childhood education and care through the institution of a new activity test which would impact on thousands of Australia's most vulnerable children and families. We believe that any proposed changes to the ECEC system should increase accessibility and participation for children at risk of poor developmental outcomes, including those in non-working or low-income households. The long-term economic benefits of giving all children the best start in life are well established.

ECA welcomes the Commission's proposal to streamline and simplify the subsidies that support participation in early childhood education and care. While the proposed Early Care and Learning Subsidy has our in-principle support, there is a lot more work to be done to refine the model and ensure that it meets a number of policy objectives, including:

- improved affordability for low income families which in turn will enhance access and participation for children who might otherwise miss out

¹ Organisation for Economic Co-operation and Development (OECD). (2013). *Education Indicators in Focus*. Retrieved from www.oecd.org.

- enhanced understanding amongst parents about what subsidy is available to them to support informed decisions about workforce participation
- increased flexibility for families.

In all of the feedback we have gathered from our members and key stakeholders on the Commissions' Draft Report, the proposed changes to the *National Quality Framework* have been the most contested. ECA believes that the Commission must consider both the practice evidence and the research evidence in relation to the qualification requirements for children from birth to 36 months. By far, the majority of service providers support the current NQF requirements in relation to qualifications of educators working with children from birth to 36 months because the quality of the interactions and relationships between children and the educator are critical during this period of development. Qualified educators are better placed to understand that and provide more effective, responsive care as well as more varied and stimulating learning opportunities. We also respectfully suggest that the Commission consults with Australian academics on the interpretation of the research evidence available and what implications this has for practice.

We also have concerns about the proposals put forward on vulnerable children and children with additional needs. Disadvantaged communities typically have a concentration of children and families at risk of poorer outcomes and so it's appropriate to use 'place based' strategies to improve access to ECEC and proactively address vulnerability. However, at the same time, the majority of children at risk are not living in disadvantaged areas and so the capacity of the universal program to identify and respond to risk and vulnerability is equally important. This submission outlines a number of areas that can enhance the delivery of services to these children within the Commission's proposed models.

Whilst these points and more are of concern to ECA and our network, overall we believe the Commission has put forward a number of recommendations that will improve Australia's early childhood education and care sector. We look forward to working with the Commission in the coming months to deliver the best possible recommendations on reform for the system to the Australian Government.

2 System design

2.1 Defining the purpose

One of the reasons that the early childhood education and care sector is complex, at times confusing, and lacking a unified purpose is that different parts of the sector have developed over time to respond to different needs. Some service types originated as public health initiatives while others were an extension of the education system and/or a response to supporting increased workforce participation amongst women. There is now an opportunity for major reform that could unify the sector into an integrated system with a clear purpose and objectives against which performance can be measured.

ECA once again urges the Productivity Commission to put the best interests of children and their families at the centre of reform proposals and recommendations to the Australian Government. We would like all future reform to be based on the primary question *'is this in the best interests of children?'* Indeed, as a signatory to the International Convention on the Rights of the Child which includes Articles 3 and 12 (see below); Australia has given a commitment to do this in all actions concerning children.

We are concerned that the Inquiry has focused too much on the short-term benefits of ECEC as a mechanism for supporting and increasing workforce participation and too little on the longer term benefits to be derived from enhancing and amplifying children's development. Supporting families to make decisions about workforce engagement has very significant benefits for the wellbeing and economic security of children and must be one objective of the ECEC system. However it is not the sole objective, there are also educational benefits for children distinct from the workforce status of their parents. These comments from survey respondents summarise some common sentiments in the feedback ECA collected:

'Please consider children's rights and the developmental needs of all children when making decisions that will have such significant implications for education and care in our country.'

'The Government needs to have less focus on the work force issues and more focus on outcomes for children.'

'Please rethink the language used in your [PC] final report so that it constructs this field of early education and care in through the language of education and the needs and rights of the developing child rather than providing a service for families.'

ECA continues to believe that an overarching purpose needs to be in place to provide a foundation for early childhood education and care in Australia. We have been strong supporters of the Council of Australian Government's *Investing in the early years—The national early childhood development strategy* vision that 'by 2020 all children have the best start in life to create a better future for themselves and for the nation'.

This vision puts the needs of children first and has our support for the following reasons:

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

ECA believes that this vision should continue to be the touchstone of all decisions relating to the delivery of children’s services.

2.2 Systems thinking

At ECA’s recent National Conference, keynote presenter Dr Sharon Lynne Kagan, Professor of Early Childhood and Family Policy, Columbia University and Professor Adjunct at Yale University’s Child Study Center, made a strong case for establishing an early childhood system that incorporates both programs (e.g. preschool, long day care, family day care, outside school hours care etc.) and infrastructure. She identified eight gears that are needed to make the system work effectively:

1. Regulation and Program Quality
2. Governance
3. Financing Mechanisms
4. Professional Development
5. Links to K–12 Education and Other Services
6. Parent, Family & Community Engagement
7. Data Collection
8. Early Learning Standards

This is a useful paradigm for examining which system elements Australia already has in place and which elements require further development. Currently, there is limited data collection in the ECEC system that allows for evaluation against program or system objectives. Dr Kagan argues ‘data systems provide us with the information we need to make key decisions about children, programs, and policy. As such, they are essential to ECE improvement and they must be aligned, must protect the rights of children and families and must have protective safeguards’. Dr Kagan suggests that the ECEC system be conceptualised as an integrated system of programs supporting children and families from birth through to middle childhood (eight years).

ECA believes that clearly defined outcomes and regular measurement would not only justify investment in ECEC but also provide a mechanism for performance measurement to drive systemic improvements over the long term.

The Commission did not undertake extensive modelling on the economic benefits of early childhood development arising from participation in ECEC in its Draft Report.

However, recent work by the accounting firm Price Waterhouse Coopers (PwC)² identified three areas of policy outputs and outcomes for early childhood education and care, each of which has the potential to return significant economic and social benefits:

1. supporting workforce participation
2. benefiting all children who receive a quality education program
3. achieving significant benefits for vulnerable children.

PwC found significant potential economic benefits across all three outcome areas with the largest gains in the area of increased participation by vulnerable children.

Figure 1: PwC estimated GDP impacts by 2050



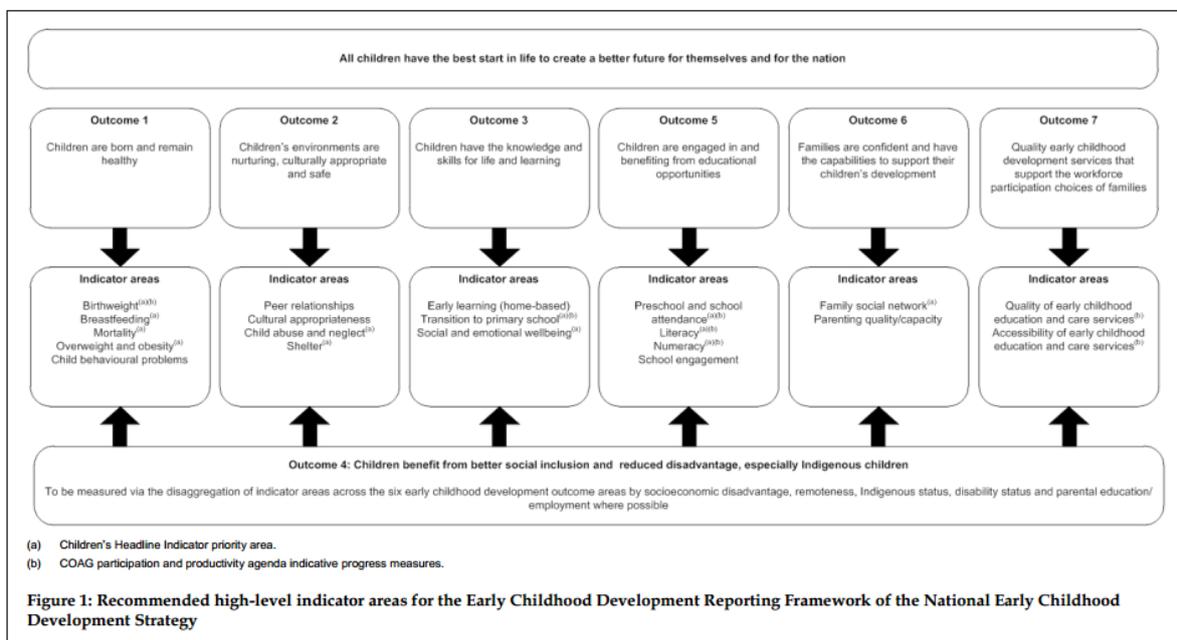
ECA believes that an outcomes framework is needed to identify priorities for research, data collection and data linkage. There are some large data collections that can contribute to this—examples include the Australian Early Development Census (AEDC), National Assessment Program—Literacy and Numeracy (NAPLAN) testing and Programme for International Student Assessment (PISA) testing, but there is scope for more Australian-based research into what models and approaches work best in our diverse contexts. Longitudinal research and program evaluations are needed, on the scale of projects like the Effective Preschool Provision Project (Sylva et al., 2004) in

² PwC (2014). *Putting a value on early childhood education and care in Australia*. Retrieved from www.pwc.com.au.

the UK and the US evaluations of High/Scope & Perry Preschool (Schweinhart et al., 2005) and Abecedarian approaches (Campbell et al., 2002).

The process of developing an ECEC outcomes framework would need to engage early childhood experts, research leaders, program administrators and service providers as well as involve broad consultation. It is anticipated that this would build on significant work undertaken by the Australian Institute of Health and Welfare in developing an outcomes framework for the Early Childhood Development Strategy (AIHW, 2011)—see Figure 2 below. Further work is needed to drill down further into the effectiveness of ECEC. This could also draw on the SA Council for the Care of Children (2007) framework, *Look out for young South Australians: Improving the lives of young South Australians*.

Figure 2: AIHW indicators for the early childhood development reporting framework



2.3 Research, data collection, consultation and engagement

Australia's early childhood education and care (ECEC) sector has long suffered from a lack of quality data and program evaluation on the impact of service delivery. Early Childhood Australia (ECA) welcomes the Commission's desire to address these concerns, which will greatly assist long-term policy development and investment in the sector. ECA's responses to the proposed recommendations in the Draft Report are listed below.

PC Draft Recommendation 13.2: The Australian Government should establish a program to link information for each child from the National ECEC Collection to information from the Child Care Management System, the Australian Early Development Index, and NAPLAN testing results to establish a longitudinal database. Subject to appropriate data protection methods, this information should be made available for research, policy analysis and policy development purposes. The ability of researchers to access unit record information should be permitted subject to stringent privacy and data protection requirements. The Australian Government agency, which is the custodian of the Child Care Management

System, should provide a de-confidentialised extract from the database each year that interested parties can use for research and planning purposes.

Early Childhood Australia (ECA) supports the linking of the Child Care Management System CCMS, the Australian Early Development Index (AEDI) and NAPLAN testing results to create a longitudinal dataset for research and policy. We believe the Commission should look further at the data sets and suggest priority areas for future research—particularly where the research may support economic modelling and/or policies in key areas where there is currently a lack of research.

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

- the return on investment of high-quality early childhood programs in the Australian context
- the return on investment from workforce participation gains arising from further investment in ECEC
- a longitudinal study of Australian children in quality ECEC services following the introduction of the NQF, compared with pre-NQF waves
- the quality, availability of ECEC and workforce participation elasticity
- factors impacting on parental decision-making during the early years
- barriers to ECEC participation for vulnerable populations
- the impact of particular ECEC policies, including the NQF, on family day care services.

In addition to drawing on the evidence base for making decisions about early childhood services there is a need to undertake greater consultation with families and with children, to both take their views into consideration and also to inform parental decision-making.

ECA believes there would be value in establishing mechanisms for age appropriate consultation in ECEC systems design and improvement, informed or assisted by the National Children's Commissioner. ECA also believes that parents deserve to be fully informed when making decisions about their children's early childhood experiences including information about early development and information about service types, patterns of care, and educational development outcomes.

Recommendations

1. That the best interests of children are put at the centre of the early childhood education and care system with a clear statement of purpose such as 'all children have the best start in life to create a better future for themselves and for the nation'.
2. Don't just link data sets—develop an outcomes framework for the ECEC system to measure the impact of quality programs at both the individual and system level, including economic and social benefits of continued and/or increased investment.
3. Establish a development fund at 0.01 per cent of expenditure on ECEC to invest in data collection, research priorities, evaluation and consultation with families and children to drive systemic improvements.

3 Financing of the early childhood education and care sector

Current Australian Government investment in subsidies for access to early childhood education and care is expected to reach over \$7 billion by 2017³. The subsidy system incorporates the means tested Child Care Benefit and non-means tested Child Care Rebate which is confusing for parents and administratively burdensome for service providers and program delivery. ECA agrees with the need for reform of this system. Our responses to the financing recommendations and findings put forward by the Productivity Commission in the Draft Report are outlined below.

3.1 Streamlining subsidies

Draft Recommendation 12.2: The Australian Government should combine the current Child Care Rebate, Child Care Benefit and the Jobs Education and Training Child Care Fee Assistance funding streams to support a single child-based subsidy, to be known as the Early Care and Learning Subsidy (ECLS). ECLS would be available for children attending all mainstream approved ECEC services, whether they are centre-based or home-based.

Draft Recommendation 12.4: The Australian Government should fund the Early Care and Learning Subsidy to assist families with the cost of approved centre-based care and home-based care. The program should:

- assist with the cost of ECEC services that satisfy requirements of the *National Quality Framework*
- provide a means tested subsidy rate between 90 per cent and 30 per cent of the deemed cost of care for hours of care for which the provider charges
- determine annually the hourly deemed cost of care (initially using a cost model, moving to a benchmark price within three years) that allows for differences in the cost of supply by age of child and type of care
- support up to 100 hours of care per fortnight for children of families that meet an activity test of 24 hours of work, study or training per fortnight, or are explicitly exempt from the criteria
- pay the assessed subsidy directly to the service provider of the parents' choice on receipt of the record of care provided.

ECA welcomes the Productivity Commission's recommendations around the proposed Early Care and Learning Subsidy (ECLS). This new subsidy incorporates a number of elements which ECA recommended to the Commission to simplify the system and support increased participation.

Most elements of the recommended scheme, such as the taper rate and payment methods of the Commission preferred option are sensible. ECA also supports the payment of subsidies directly to services to minimise out-of-pocket costs to families. However, we have concerns about some elements of the proposed system.

While the proposed model rolls the two payments together into one, it cannot be considered to be simple to understand for families.

³ Department of Education. (2014). *Federal Budget 2014-15 Budget Statement*. p. 31, Retrieved from www.education.gov.au/portfolio-budget-statements-2014-15.

While the proposed ECLS payment would not have an annual cap like the current system, it would institute an hourly cap based on the 'deemed cost'. The withdrawal of one cap and institution of another cap is complicated and would have varying impacts on families.

Middle income families are the main beneficiaries under the Productivity Commission's preferred model. This is because of two reasons:

1. The ECLS taper is much broader and 'flatter' than the current CCB taper.
2. Some of these families were hitting the CCR cap under the current system.

According to ECA's analysis, families earning below the current Child Care Benefit lower income threshold would not be better off under the proposed model, because the deemed cost cap is likely to be set too low. Low and middle income families in high cost markets are particularly affected and may be substantially worse off under the Commission's proposed system compared with current levels of assistance, with a deemed cost set at median fees.

The Commission has outlined the significant evidence of the benefits of participation of children and families from disadvantaged backgrounds, but these families are worst affected by the proposed system, particularly those families where either parents are not working or training, who would not be eligible for any subsidies, because of the proposed tightening of the activity test.

The Commission has proposed several different options, with different budget impacts. Of these, the Commission's 90 per cent to 30 per cent linear taper is preferred.

We suggest that the Commission may want to reconsider its preferred option by looking at a steeper taper by lowering the upper income threshold and ensuring that families on very high incomes do not receive subsidies. The purpose of this change would be to ensure that children of parents who are not working can access ECEC, rather than instituting the Commission's proposed activity test.

Income thresholds

ECA supports the current method of family income as a basis of means testing subsidies. While this can be complex for some families and their internal approaches to personal finances, particularly for new de-facto couples, it delivers the most equitable outcome of the options available.

As families with multiple children in ECEC have much higher costs, like the current system, the proposed income thresholds should be adjusted upwards by a reasonable child add-on for each additional child in care.

Jobs, Education and Training Child Care Fee Assistance

The Commonwealth Government recently announced the amendments to the Jobs, Education and Training Child Care Fee Assistance (JETCCFA). ECA supports the Commission's view to abolish JETCCFA in principle, if enough support is provided for children with parents on income support to access ECEC. Our concern is that the 'deemed cost' under ECLS may be too low for families on income support who live in inner city and other areas where costs are higher. This would place

these families at a considerable disadvantage compared with current JETCCFA arrangements. Further work is required to ensure these families can continue to access services.

Recommendations

4. While supporting the single subsidy model of the proposed Early Care and Learning Subsidy, ECA recommends that further work be undertaken to analyse the impact on families across the household income spectrum to determine the real impact on out-of-pocket costs with the option to apply a steeper taper rate if needed in order to protect low income families from increased costs.

2.2 Setting an appropriate 'deemed cost'

In the Draft Report, the Commission has modelled the current median cost of ECEC in Australia as provided by the Department of Education as a proxy for a 'reasonable cost'. The Commission has also suggested that an 'efficient price' could be used instead.

In the work conducted by Professor Deborah Brennan from the Social Policy Research Centre⁴, the alternative model put forward assumed that the reasonable cost of delivering ECEC would be much higher than the current median cost of care in Australia. This was due to locational considerations and the need to allow services and families to ease into a new system.

The greatest risk for the Commonwealth Government in potentially adopting an efficient price, as identified by Professor Brennan, is the effect it may have on the supply of ECEC places. If the price is set too low, this may result in low utilisation and closures in some areas, particularly in locations with higher operational costs.

The deemed cost should be set at a higher benchmark than the median price to improve affordability for families and support a smooth transition to the new system.

The benchmark price should be based on fees for quality services. Our analysis of MyChild fee data shows that fees do not necessarily correlate with prices.

We agree with Goodstart Early Learning's recommendation that a benchmark price be set equivalent to the average price (mean) plus 2.5 standard deviations would effectively limit taxpayer funds to 'reasonable' fee levels, while ensuring families using standard services in legitimately higher cost markets are not penalised.

This reduces government outlays on outlying services which have fees beyond what is considered reasonable which can be benchmarked against local indicators (described below).

⁴ Brennan, D. & Adamson, E. (2014). *Financing the future: An equitable and sustainable approach to early childhood education and care*. Social Policy Research Centre: University of New South Wales.

Benchmarked costs model

ECA believes the Commission should consider a 'benchmark' costs model. This would be initially set higher than the current median cost to avoid affecting supply issues. The benchmark could differ according to variables that impact on the cost of delivery, including (but not limited to):

- service type: family day care/in-home care, outside school hours care, long day care, occasional care
- location: metropolitan, regional, remote
- age of the child: birth to 36 months, 36 months to school age.

Further analysis is required to determine whether differences in the cost of delivery are consistently related to these or other variables. It is likely that service type and the age of children have consistency but it may not be possible to identify consistent differences based on location because of the highly diverse nature of Australian communities. It may be more appropriate to use a location adjustment such as a 'location stress' test to identify communities where the cost of delivery is substantially different to the norm due to factors such as extreme climate, chronic disadvantage, economic or industrial changes (e.g. mining boom or manufacturing bust) or recent event (bushfire or flood). This could be paid as a top up or adjustment, subject to periodic review.

Indexation

Appropriate adjustment of 'deemed costs' over time is critical to ensure that the subsidy keeps pace with rising fees and is not susceptible to erosion. One of the benefits of de-linking the subsidy from the fee charged by an individual service is that government subsidies will not be underwriting discretionary fee increases. Instead, the subsidy needs to be adjusted based on either actual changes in the cost of service delivery (wage increases, rent increases etc.) or the mean/median rise in fees that occurs across services, typically on an annual or twice annual basis.

If the deemed cost is set appropriately from the beginning, with readjustments every year, there should be no reason to index the subsidy during the year. Fees are also usually set yearly by services so yearly subsidy adjustments are compatible.

Recommendations

5. The Commission use a benchmark or reasonable cost model rather than a deemed or efficient price model for establishing the rate of subsidy, with further work to be done to inform variables impacting on the rate of subsidy including service type, location and the age of children in care and education programs.

3.2 Proposed activity test

ECA believes that the current Work Training Study Test for the Child Care Benefit (CCB WTS) was working effectively to achieve both the goals of early childhood development and workforce participation. The current CCB WTS test means that both parents must be working (or equivalent) for at least 15 hours per week to access more than 24 hours of CCB.

The real problem is the current CCR WTS test which only requires both parents to have undertaken some form of work, training, study commitment during the week. This could be as low as one hour for 50 hours of CCR. ECA proposes that under a new ECLS model—the CCB and CCR WTS tests be aligned—so that a family must work more than 15 hours to receive 50 hours of ECLS. This would be a saving compared with the current system. This enables children to have access to an early childhood programme to support their development.

ECA members also strongly opposed the Commission’s recommendation, with over 75 per cent of respondents in our Productivity Commission Inquiry survey indicating that they didn’t support the proposal. Comments included:

‘This is likely to be some of our most vulnerable children. Children do not choose which families they are born into and therefore should not be penalised for this. Every child has the right to feel safe; every child has the right to an education! It is our responsibility to ensure equity for our children.’

‘We need to be careful that we don’t create further problems by taking away services from families who require respite, and also whose children should have a right to access ECEC services. Universal access should be predominant and as the right of children and families.’

‘Parents in rural and remote areas (especially mothers) are often engaged in unpaid work, especially as home distance education tutors to their children. An exemption or consideration must occur for rural and remote parents whose unpaid work contributes to the family business in varied activities but is not recognised formally and does not generate recorded income so as they can obtain such a subsidy.’

‘It should be available to all parents regardless of why they need children in care—some of our parents just need a break, especially in a rural town such as ours if they have no extended family support. Attendance at high quality care can be a strong safeguard for children whose parents are facing challenging circumstances—many of whom do not have the capacity to work or study. If this recommendation means these parents won’t have access to subsidy then I strongly oppose it.’

‘This recommendation does nothing to recognise the benefit of education and care for all children. It is a social equity and justice issue. All children should have the right to access education and care regardless of their parents’ economic status.’

‘Also note that there is a proposal to remove the subsidy from grandparents who are caring for grandchildren. These people are likely to be retired but need the support provided by free care/education programmes because of the physical, emotional, financial burdens of their caring role. After all the alternative is foster care and that is more expensive!’

‘By all means limit the number of subsidised hours but this is a lifeline for many parents.’

When asked approximately how many families currently accessing services would not meet the activity test, 37 per cent of survey respondents thought it would be less than 10 per cent; nearly 30 per cent were unsure and another 30 per cent ranged between 11–50 per cent.

Recommendations

6. ECA does not support the Activity Test proposed by the Commission and instead recommends that a variation of the Work Training Study Test for the Child Care Benefit (CCB WTS) be adopted for the ECLS which would allow up to 24 hours of subsidised ECEC for all children regardless of the work/study participation of their parents, increasing to 50 hours for families when both parents are working for more than 15 hours.

3.3 Paid Parental Leave

Draft Finding 12.1: It is unclear that the proposed changes to the Paid Parental Leave scheme would bring significant additional benefits to the broader community beyond those occurring under the existing scheme. There may be merit, therefore, in diverting some funding from the proposed new scheme to ECEC to ensure that the government's workforce participation objectives are met and ECEC services to additional needs children are adequately funded.

ECA supports the Productivity Commission's suggestion that there is merit in diverting some funding from the government's proposed new Paid Parental Leave scheme to early childhood education and care (ECEC). ECA agrees that increased support to access quality early childhood services would reap greater benefits to the majority of Australian families than disproportionate funding in a Paid Parental Leave scheme.

ECA is very supportive of an effective scheme for supporting parents to spend time with infants and children newly adopted into a family which contributes to important bonding and attachment. However, significant investment in the proposed full-wage replacement scheme is likely to create difficulties for families in the long term if it is not matched by an increased investment into ECEC.

The end of the proposed paid parental leave is likely to impact on the age at which children transition into ECEC; parents who have received significant financial support in the first six–12 months of having a child may have a heightened expectation regarding financial support for ECEC. Indeed, Galaxy polling suggests that many families believe that funding for affordable ECEC should be higher priority⁵, most likely as it impacts on family finances over a much longer time frame.

3.4 Tax concessions

Draft Recommendation 12.1: The Australian Government should remove section 47(2) from the Fringe Benefits Tax Act 1986, that is, the eligibility for Fringe Benefit Tax concessions for employer provided ECEC services. It should retain section 47(8), which enables businesses to purchase access rights for children of their employees without this being considered expenditure subject to the Fringe Benefits Tax.

ECA believes that it is not equitable or practical to have two systems of subsidies; one for employer-provided ECEC and one for all other services.

⁵ Galaxy Research. (2013). *Child Care Study*. Prepared for Early Childhood Australia (ECA)

However, we believe that the Commission should look further at how workplace-based care can be supported through other means (beyond the quarantining of ECEC places). Many of the undersupply issues are occurring in inner metropolitan areas, and new approaches are required to support services in these areas. Incentives for developers and commercial property owners to allocate space in large, multi-storey commercial buildings should be a focus.

Draft Recommendation 10.1: In line with the broad level recommendations of the Productivity Commission’s 2010 study into the Contribution of the Not for Profit Sector, the Australian Government should remove eligibility of not-for-profit ECEC providers to Fringe Benefit Tax exemptions and rebates. State and territory governments should remove eligibility of all not-for-profit childcare providers to payroll tax exemptions. If governments choose to retain some assistance, eligibility for a payroll tax exemption should be restricted to childcare activities where it can be clearly demonstrated that the activity would otherwise be unviable and the provider has no potential commercial competitors.

ECA does not agree with removing tax concessions from not-for-profit (NFP) ECEC providers. NFPs only receive payroll and Fringe Benefits Tax (FBT) concessions if they have charitable status which means they have demonstrated that they are re-investing surplus revenue in a social purpose that benefits local communities. The Australian Taxation Office and state/territory governments have very clear criteria for granting charitable status with the tax concessions. Whether the revenue the organisation generates comes from ECEC, retail activities or public donations is not the relevant factor and should not restrict eligibility.

NFP providers play an important role in the ECEC sector—they are more likely to be providing services to low income and vulnerable families and they are often at the forefront of innovation and quality improvement. These tax concessions help strengthen the viability of these services and maintain the presence of NFPs in the sector. The dominance of for-profit private providers in long day care suggests that the impacts of competitive advantage are not distorting or restraining the market.

Draft Recommendation 13.3: The Australian Government should review the operation of the new ECEC funding system and regulatory requirements after they have been implemented. In particular:

- within two years of introducing subsidies based on deemed cost of care, the accuracy of the deemed costs and appropriateness of the selected indexation approach should be examined and the existence of any adverse unintended outcomes should be identified and resolved
- within three years of extending the coverage of the *National Quality Framework* (including to current block funded services and to nannies), ACECQA should prepare a report identifying any legislative, regulatory or procedural difficulties arising from the wider coverage of the *National Quality Framework*
- within five years of implementing the new ECEC funding system and regulatory requirements, the Australian Government should undertake a public review of the effectiveness of the revised arrangements.

ECA supports a review of funding and regulatory arrangements after a proposed implementation of changes documented in the Draft Report. We also believe that an exposure draft or discussion paper on the Government’s proposed funding scheme should be released for public comment, as this may differ substantially from the Commission’s final recommendations. Sector consultation at every stage of system reform will help to:

- promote understanding of policy objectives
- build support for reform
- identify potential roadblocks and risks.

Recommendations

7. ECA does not support the Commission's proposals regarding changing the tax concessions available to not-for-profit providers that are registered charities.
8. ECA does support a review of funding and regulatory arrangements after implementation as well as further sector consultation to:
 - promote understanding of policy objectives
 - build support for reform
 - identify potential roadblocks and risks.

4 Meeting additional needs

Draft Recommendation 5.2: Governments should plan for greater use of integrated ECEC and childhood services in disadvantaged communities to help identify children with additional needs (particularly at risk and developmentally vulnerable children) and ensure that the necessary support services, such as health, family support and any additional early learning and development programs, are available.

Draft Recommendation 12.6: The Australian Government should establish three capped programs to support access of children with additional needs to ECEC services.

- The Special Early Care and Learning Subsidy would fund the deemed cost of meeting additional needs for those children who are assessed as eligible for the subsidy. This includes funding a means tested proportion of the deemed cost of mainstream services and the ‘top-up’ deemed cost of delivering services to specific groups of children based on their needs, notably children assessed as at risk, and children with a diagnosed disability.
- The Disadvantaged Communities Program would block fund providers, in full or in part, to deliver services to specific highly disadvantaged community groups, most notably Indigenous children. This program is to be designed to transition recipients to child-based funding arrangements wherever possible. This program would also fund coordination activities in integrated services where ECEC is the major element.
- The Inclusion Support Program would provide once-off grants to ECEC providers to build the capacity to provide services to additional needs children. This can include modifications to facilities and equipment and training for staff to meet the needs of children with a disability, Indigenous children, and other children from culturally and linguistically diverse backgrounds.

Draft Recommendation 12.7: The Australian Government should continue to provide support for children who are assessed as ‘at risk’ to access ECEC services, providing:

- a 100 per cent subsidy for the deemed cost of ECEC services, which includes any additional ‘special’ services at their deemed cost, funded from the Special Early Care and Learning Subsidy program
- up to 100 hours a fortnight, regardless of whether the families meet an activity test
- support for initially 13 weeks then, after assessment by the relevant state or territory department and approval by the Department of Human Services, for up to 26 weeks.

ECEC providers must contact the state or territory department with responsibility for child protection within one week of providing a service to any child on whose behalf they apply for the ‘at risk’ Special Early Care and Learning Subsidy. Continuation of access to the subsidy is to be based on assessment by this department, assignment of a case worker, and approval by the Department of Human Services. The Australian Government should review the adequacy of the program budget to meet reasonable need annually.

Draft Recommendation 12.8: The Australian Government should continue to provide support for children who have a diagnosed disability to access ECEC services, through:

- access to the mainstream ECEC funding on the same basis as children without a disability and up to a 100 per cent subsidy for the deemed cost of additional ECEC services, funded from the Special Early Care and Learning Subsidy
- block funded support to ECEC providers to build the capacity to cater for the needs of these children, funded through the Inclusion Support Program.

The relevant government agency should work with the National Disability Insurance Agency and specialist providers for those children whose disability falls outside the National Disability Insurance

Scheme, to establish a deemed cost model that will reflect reasonable costs by age of child and the nature and extent of their disability. Based on an assessment of the number of children in need of this service, and the costs of providing reasonable ECEC services, the Australian Government should review the adequacy of the program budget to meet reasonable need annually.

Draft Recommendation 12.3: The Australian Government should exempt non-parent primary carers of children, and jobless families where the parents are receiving a Disability Support Pension or a Carer Payment from the activity test. These families should still be subject to the means test applied to other families.

ECA recognises the Commission’s intention to address the significant gaps in the current system that affect vulnerable and disadvantaged children. ECA’s responses to the recommendations made by the Commission are listed below.

4.1 Special Early Care and Learning Subsidy

The proposed Special Early Care and Learning Subsidy (SECLS) is necessary to eliminate out-of-pocket expenses for families in circumstances where children are vulnerable to poor development outcomes and may otherwise miss out on early education and care. The economic and social benefits of addressing disadvantage are so significant and well established that this additional subsidy should be seen as a very good investment in future social and economic prosperity (see for example: PwC, 2014).

The Draft Report proposes that SECLS cover 100 per cent of ‘deemed cost’ including any special needs costs and ECA believes there needs to be a protection for families to ensure that no fee or a very low fee is charged when the SECLS is being paid.

The current Special Child Care Benefit has been too difficult for both services and families and therefore it is under utilised and not meeting the policy objective of ensuring access to ECEC for vulnerable children. There are some circumstances where Special Child Care Benefit payments are very high for individual children—typically where it is being used to cover the cost of intensive in-home care, which is beyond the scope of early childhood education and care and duplicating the role of disability and family support services. The design of the Special Early Care and Learning Subsidy (SECLS) is an opportunity to address these issues.

A clear policy objective for SECLS is needed—for example, ‘to increase the participation of children vulnerable on one or more developmental domains to early childhood education and care programs that have the capacity to enhance development and reduce vulnerability’. It would be appropriate to limit SECLS to supporting participation in programs where there is an evidence base in relation to enhanced development and reduced vulnerability and to transition families reliant on the current SCCB for intensive in-home support into alternative support programs.

ECA does not support limiting eligibility for the SECLS to children known to child protection and/or children with a diagnosed disability as proposed in the Draft Report.

One of the challenges in supporting very young children with additional needs related to disability or learning difficulties is that they are often not yet diagnosed or eligible for health and community services available through other programs. They may be showing very early signs of disability or

learning difficulties that will not be diagnosed for some time either because behavioural indicators need to be present for a period of time before a diagnosis can be made or because a diagnosis cannot be made until a child reaches a specified age. For example, a diagnosis of an Autism Spectrum Disorder can take more than two years of assessment and the child must be over the age of three years. Participation in early childhood services can be an important component of support for both the child and the family during the period of assessment. There are also many children who will overcome a developmental difficulty if provided with appropriate and timely intervention (e.g. speech delay, gross motor difficulties). ECEC can be important both in identifying difficulties and providing intervention responses that may prevent these becoming long-term problems. The eligibility for subsidy therefore needs to be broad, allowing for additional support to be provided during a period of time when children might be assessed for various developmental issues and timely so that early intervention can be arranged as soon as difficulties are identified.

Similarly, ECEC can help to prevent children and families at risk of abuse and neglect by identifying and supporting them long before they come to the attention of child protection authorities. ECEC can provide a safety net for children and critical support to parents experiencing difficulties such as unemployment, separation, health and mental health issues, poverty and homelessness. Access to the proposed special subsidy should be expanded to strengthen the capacity of the system to respond to children at risk.

ECA believes that state child protection case managers do have an important role in identifying 'at risk' children for SECLS and making referrals to ECEC services. However, they should not be the only source of referral to SECLS. ECA believes that the assessment of risk or vulnerability and a recommendation for the SECLS be expanded beyond child protection authorities to a range of federal and state/territory government funded services likely to come into contact with families and children who would benefit from access to ECEC. These agencies could be authorised to support an application for SECLS by either the family or the ECEC service. Examples include:

- Australian Government family support services
- State/territory family support services
- Child support agency
- Family court consultants
- State/territory housing services
- Australian Government homelessness services
- Paediatricians, GPs and MACH nurses
- Mental health services
- Drug and alcohol services
- Aboriginal health services.

Subsidies for children at risk should not be short-term (e.g. three months) because risk factors typically are not resolved that quickly, a minimum of 12 months with a review period would be more appropriate. ECA survey respondents also highlighted that one week is an inadequate timeframe for properly assessing a child's vulnerability—longer timeframes would be more appropriate.

Total expenditure on SECLS should also not be capped but rather demand driven and available when and where it is needed, maximising the capacity of the universal service system to respond to additional needs appropriately and quickly. The risk of a capped program is that a lot of energy and expense is then spent on rationing support and choosing between relative needs. An alternative approach is to budget for expenditure based on what we know about the prevalence of additional needs and vulnerability in the early years. For example, if we can estimate the proportion of young children who will experience some form of temporary or longer term learning difficulty, the proportion likely to be affected by disability and the proportion we know to be developmentally vulnerable then we can estimate the proportion of children who would potentially be eligible for SECLS and make it readily available—if demand exceeds this, eligibility criteria can be tightened over time but there should continue to be a commitment to timely response and ready access where the subsidy is needed.

Recommendations

9. Expand eligibility for the Special Early Learning and Care Subsidy to include children with additional needs being assessed for disability or learning difficulties and children at risk or vulnerable on one or more developmental domain to ensure it is readily available and supports timely early intervention.
10. Establish SELCS as a 'needs based' program rather than a capped expenditure program, based on estimated prevalence and need.

4.2 Inclusion support

As articulated above, children with additional needs attending early childhood services often do not yet have a diagnosed disability. There is a diverse spectrum of additional needs—some children may have quite significant physical disability but with appropriate equipment require no greater attention from educators than their peers. Other children may have a mild learning difficulty but it causes them significant frustration resulting in problematic behaviour that requires significant attention from educators. More often than not, additional needs are identified in early childhood and may take some time to fully evaluate and respond to.

In order to respond appropriately to children with additional needs, early childhood education and care services require the skills to identify developmental issues, work with families, and access a range of other services to increase support to the child. Early intervention and therapeutic services are often required but also advice on how best to accommodate or manage additional needs in an early childhood setting. The Inclusion Support Program is an important part of an effective early childhood education and care system. The capacity to respond to the individual needs of the child and family is also important—some children require intensive support, others with a similar type of disability or learning difficulty require minimal support, factors such as the temperament of the child, the capacity of the service, the stability and characteristic of the group, the supports available to the family, the availability of early intervention services or access to appropriate programs or equipment are all factors that can contribute to this.

Cultural inclusion and culturally responsive service delivery are also areas of expertise that can be important to mainstream early childhood services. While all services should meet the *National Quality Standard* related to cultural inclusion, access to additional support can substantially increase the capacity of the system overall to be responsive. Aboriginal and Torres Strait Islander children are consistently under-represented in early childhood education and have double the risk of being developmentally vulnerable (AEDI, 2013). There is a role for a national inclusion program working to build the capacity of early childhood services to engage with local Aboriginal and Torres Strait Islander communities to increase participation and ensure culturally appropriate service delivery. There is also a role for a national inclusion program in staying up-to-date with the needs of recently arrived refugee populations who may have unique needs related to cultural understanding, language and recovery from trauma experiences.

There are sometimes benefits to services developing expertise in working with certain cultural communities or children with similar needs. For example, a service that has adapted to support a child with a hearing impairment may be well placed to support children with similar disabilities as staff members have already learnt to accommodate those specific needs. This is not to suggest that the choices of families should be restricted, but rather that inclusion support programs can be well placed to keep track of services with expertise in different areas. Also, that information could be provided to families when they are choosing services if there is some form of central coordination or liaison role built in to the program.

ECA believes that it is important to maintain a dedicated and properly resourced inclusion support program that has the capacity to:

- provide advice and support to services responding to children with additional needs and/or Aboriginal and Torres Strait Islander children and children from diverse cultural communities
- provide resources which may be used to respond to the needs of individuals or groups of children—resources may include training, information, assessment, funding, referrals etc.
- coordinate supports across service systems—working across early intervention, health and therapeutic services as well as cultural and humanitarian services
- support community engagement through linkages and community mentoring support
- provide advice or information to families seeking services with experience in inclusion.

Recommendations

11. Maintain an inclusion support program that has the capacity to support the service system to be more responsive and inclusive.

4.3 Disadvantaged communities program

Disadvantaged communities typically have a concentration of children and families at risk of poor educational outcomes, so it is appropriate to use 'place based' strategies to improve access to ECEC and proactively address vulnerability. However, at the same time, the majority of children at risk are not living in disadvantaged areas, and so the capacity of the universal program to identify and respond to risk and vulnerability is equally important.

One of the challenges is to address the barriers to participation that sit outside the typical delivery of the ECEC service—for example, it may be appropriate to visit the family at home, provide transport to/from the centre, speak to one or both parents regularly on the phone, send home supplies such as food, provide clothing for children as well as having higher staff to child ratios.

Children who have experienced trauma warrant additional support from professionals with expertise in trauma recovery who can identify and respond to emerging development issues. Some of the signs that young children have experienced trauma and may be at risk of developmental difficulties include:

- disrupted sleep and/or eating patterns
- hyper-vigilance and exaggerated startle response
- distress when separated from caregivers
- heightened fussiness, anxiety, incapacity to settle
- reduced or suppressed emotional response
- loss of acquired skills
- reluctance to engage in new experiences.

(list adapted from the Child Development and Trauma Specialist Practice Resource, Victorian Department of Human Services, 2014.)

Engaging with families and children to support trauma recovery and address development difficulties can take considerable time, individual program design and increased one-on-one time with educators. This is an area of expertise that not all services will have within the team of educators employed and it may strain capacity. In areas or services where a high proportion of children have experienced trauma it would be cost effective to maintain staff with expertise and operate above minimum ratios to ensure consistent capacity to respond. In areas and services where trauma impact is less common, access to advice and additional support when needed would be a more appropriate model.

As highlighted by Vinson (2007), communities with the highest levels of disadvantage have experienced persistent disadvantage over a long period of time and investment in programs to address this need to be long term—10-year funding commitments would be appropriate for programs known to have a positive impact.

The Draft Report proposal that block funded programs move to per child funding where possible is aspirational in areas of persistent or high disadvantage. It would be more appropriate to make a long-term commitment to funding programs in these areas and have a transitional or temporary

assistance funding program for areas where service viability is marginal for other reasons (e.g. impact of an employment downturn or natural disaster).

Recommendations

12. The Disadvantaged Communities Program be designed to provide long-term investment in integrated service models and enhanced or intensive programs that can equalise opportunity and reduce vulnerability in highly disadvantaged communities.

4.4 Block funding & viability assistance

Draft Recommendation 13.1: The Australian Government should continue support for the current block funded ECEC services for Indigenous children to assist their transition to mainstream ECEC funding (where there is a viable labour market).

Regulatory authorities should work with providers to assist them in satisfying the *National Quality Framework* and managing the transition to child-based funding arrangements.

Draft Recommendation 12.5: The Australian Government should establish a capped ‘viability assistance’ program to assist ECEC providers in rural, regional and remote areas to continue to operate under child-based funding arrangements (the Early Care and Learning Subsidy and the Special Early Care and Learning Subsidy), should demand temporarily fall below that needed to be financially viable. This funding would be:

- accessed for a maximum of three in every seven years, with services assessed for viability once they have received two years of support
- prioritised to centre-based and mobile services.

ECA believes that it is critical that children in rural and remote areas have access to quality early education and care; particularly Aboriginal and Torres Strait Islander children and children from disadvantaged communities. We have supported the development of a funding program specifically for rural and remote services—where services can charge fees they should but if fees are likely to reduce participation, the out-of-pocket costs and the administrative burden of processing these payments would not be worthwhile if children most in need are likely to miss out.

The majority of the Aboriginal services currently receiving Budget Based Funding, including the 38 Aboriginal Child and Family Centres (ACFCs) are operating in disadvantaged areas and should be part of the disadvantaged community program (see above). These services need a long-term and sustainable funding model. Many of these ACFCs include, or have strong links to, ECEC services.

The proposed viability assistance funding should only be used in circumstances where there is a reasonable prospect of services transitioning to mainstream funding arrangements and/or a mainstream service is at risk due to circumstances beyond its control such as a sudden change in the local employment market, a natural disaster or a community crisis. Temporary funding for long-term problems is not sensible.

The current changes to the Community Support Programme (CSP) Operational Support for family day care are likely to result in closures and or mergers of family day care services. Despite the

suggestions of the Australian National Audit Office, funding for family day care schemes under the CSP are not directly comparable with other service types. The historical ‘block funding’ for family day care arose from the need to support the ‘hub and spoke’ model of family day care.

ECA recognises that a small group of family day care educators have not been operating in compliance with Family Assistance Law—however, that is quite a separate issue to reform of the CSP.

A large majority of family day care services have been delivering quality early childhood education and care in compliance with the law for decades. These services should continue to be supported. Without support under the CSP, coordination units will need to charge educators an administrative fee, which will affect the cost of family day care significantly.

Recommendations

13. ECA supports a long-term and sustainable block funded model for services operating in disadvantaged communities—particularly Aboriginal and mobile preschool services.
14. ECA supports continued investment in family day care coordination units with a track record in compliance and quality service delivery.

4.5 Supporting grandparents

ECA recognises that parents, grandparents and carers are children’s ‘first teachers and have an important role in supporting early childhood development.

The quality interactions between parents, grandparents and their children remain important, even as the child is attending early childhood education and care. The Organisation for Economic Co-operation and Development (OECD) suggests that the continuity of children’s experience across environments is greatly enhanced when primary care givers and staff members exchange regularly and adopt consistent approaches to socialisation, daily routines, child development and learning⁶.

However, while grandparents play an important role in supporting children’s early learning experiences; this does not displace formal early childhood education led by qualified early childhood professionals. Early childhood professionals have the knowledge and skills to deliver vital early learning experiences for children. The Commission has acknowledged this, by recommending that grandparents undertake a Certificate III. Consistent with ECA’s view on nannies, we believe that any educator delivering ECEC, subsidised by the taxpayer, must be subject to the same regulation and oversight of other funded services, and attached to a coordination unit or other service.

⁶ Organisation for Economic Co-operation and Development. (2006). *Starting Strong II: Early Childhood Education and Care*. OECD Publishing.

We suggest that the Federal Government commission the development of an early learning toolkit designed to be accessed by all grandparents to help their grandchildren's learning, supported by the latest research on early childhood development. The toolkit would also include information on relevant government subsidies for grandparents, as well as information on accessing the approved child care and preschool system.

Recommendations

15. That the Commission recommend to the Federal Government the development of an early learning toolkit designed to be accessed by all grandparents to help their grandchildren's learning at home.

5 Regulation & quality, the *National Quality Framework* (NQF)

5.1 Coverage of the NQF

Draft Recommendation 7.8: Governments should extend the scope of the *National Quality Framework* to include all centre and home-based services that receive Australian Government assistance. *National Quality Framework* requirements should be tailored towards each care type, as far as is feasible, and minimise the burden imposed on services.

Draft Recommendation 7.9: Dedicated preschools should be removed from the scope of the *National Quality Framework* and regulated by state and territory governments under the relevant education legislation. The quality standards in state and territory education legislation should broadly align with those in the *National Quality Framework*. Long day care services that deliver preschool programs should remain within the *National Quality Framework*.

The Draft Report proposed a number of possible alterations to the current regulatory framework for early childhood education and care (ECEC) in Australia, as a means to elevate pressure on providers to reduce costs. ECA agrees with the Commission that there are opportunities to streamline the *National Quality Framework* (NQF) in areas that are not related to children's outcomes. However, this must be done carefully and with consideration that many 'administrative activities' are not simply red tape, but are paramount to children's early learning, safety and wellbeing.

ECA supports the continued implementation of all agreed milestones under the National Quality Agenda for Early Childhood Education and Care up to 2020. There are some final components of the reform agenda which are yet to be implemented for preschool and long day care, including:

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

The transition to the revised ratios in 2016 and qualification standards in 2020 are still yet to occur. These ratios and qualification standards are fundamental in providing structural quality and consistency across the nation, aligning all states to a nationally consistent standard. ECA considers these quality milestones to be critical to children's developmental outcomes and believes that they are achievable according to the current timelines.

The NQF requirement for an early childhood teacher to be employed for 25 preschool children or more is in direct response to evidence from the report for the *Effective Provision of Pre-School Education* (Siraj-Blatchford et al., 2003). According to the research, the best outcomes for children are achieved in programs which integrate care and education, and are led by a qualified early childhood teacher where children attend for two to three years. This model is strongly demonstrated in long day care services with a degree qualified teacher leading the program and is employed across the full day. ECA notes the concerns of the Melbourne Institute

(2011) with regard to ‘loop holes’ to qualified educators and teachers under the NQF and that the provision of an early childhood teacher is fundamental to education outcomes (Warren & Haisken-DeNew, 2013).

The ratios for three- to five-year-olds are particularly important in delivering quality ECEC throughout Australia and the realisation of a true ‘National Framework’. A smooth implementation of ratio changes and qualification requirements has previously been experienced, with improvements to staff-to-child ratios for children (birth to two years old) on 1 January, 2012 and family day care ratios on 1 January, 2014. In relation to ratio changes in 2016, services in transitional states will have had six years to implement the changes since the effective start date of the NQF.

The Australian Community Children’s Services, Trends in Community Children’s Services Survey (ACCS TICCS) data shows that many services are already implementing the 2016 requirements, or are well ahead in planning for the changes, which means families are already paying for the higher ratios and children are already benefitting.

ECA also agrees that all funded services should be regulated under the NQF, rather than having various rules for services that receive government funding, either directly or indirectly. ECA supports Recommendation 2 of the Government’s BBF Review, to ‘*Develop and introduce a quality improvement strategy to enable services to progressively meet the requirements of the National Quality Standard, building on the BBF Quality Measure*’. This will require additional support from government, as BBF services are not able to fund these measures alone, due to the nature of their location, operational funding and in some cases, lack of ability to raise revenue by charging fees to families.

ECA believes that all funded services must be regulated under the NQF and that this should continue to include school-based preschools. The inclusion of state-run preschools and kindergartens in the NQF is important in delivering consistency in quality early childhood education and care throughout Australia. Due to this, ECA is not supportive of preschools being removed from the scope of the NQF on this basis. This is a retrograde step away from the goal of providing an integrated early childhood education and care system. The Education and Care Services National Law including the *National Quality Standard* and the *Early Years Learning Framework* should be applied to all early childhood education and care services including preschool. There may be opportunities for states delivering preschool directly to align their own regulations and curriculum with the NQF and the *Early Years Learning Framework*, to which ECA would be supportive.

Close to 75 per cent of ECA members did not agree with this recommendation, with just fewer than 19 per cent agreeing with the proposal. Comments from members included:

‘This decision would affect—quality, play-based early childhood programs; it would create a divide with Long day care (LDC) approved programs; create a further difficulty (and disparity) in staffing LDC with ECT’s; set the school-based program as somehow being ‘above’ what is delivered in a LDC setting and, in the minds of parents, negate the hard work that has gone into the NQF and promoting quality across the EC sector’

'Preschools should not be removed from the NQF, as the framework ensures a benchmark for high quality early childhood education for all service types. Why should preschool be separated and be left out as before—that's moving backwards.'

'This is a huge step backwards after the recent work to bring all early childhood services together as services that provide education and care. A huge amount of resourcing, professional development and organisational cultural shifts has occurred in the last few years, and it would be detrimental to this work as well as the services provided to children and families.'

Recommendations

16. Keep preschools in the *National Quality Framework*.

17. Bring Budget Based Funded services into the *National Quality Framework*.

5.2 Educator qualifications

Draft Recommendation 7.2: Requirements for educators in centre-based services should be amended by governments such that:

- all educators working with children aged birth to 36 months are only required to hold at least a certificate III, or equivalent
- the number of children for which an early childhood teacher must be employed is assessed on the basis of the number of children in a service aged over 36 months.

Draft Recommendation 7.4: Governments should develop and incorporate into the *National Quality Framework* a nationally consistent set of staff ratios and qualifications for those caring for school age children in outside school hours and vacation care services. These requirements should take into consideration ratios that are currently acceptable for children during school hours, the uncertainty surrounding the additional benefits of more staff and higher qualifications, and the valuable contribution that can be made to outside school hours care services by less qualified older workers and university/TAFE students.

Draft Recommendation 7.5: To provide services with greater flexibility to meet staffing requirements, ACECQA should:

- remove the requirement that persons with early childhood teacher qualifications must have practical experience for children aged birth to 24 months
- explore ways to make the requirements for approving international qualifications simpler and less prescriptive in order to reduce obstacles to attracting appropriately qualified educators from overseas.

All governments should allow services to temporarily operate with staffing levels below required ratios, such as by maintaining staffing levels on average (over a day or week), rather than at all times.

The New South Wales and South Australian Governments should allow a three month probationary hiring period in which unqualified staff may be included in staff ratios before beginning a qualification, as was recently adopted in all other jurisdictions.

There is a strong basis in the practice evidence and the research evidence for higher qualification requirements for children from birth to 36 months.

Research evidence

The quality of the relationship between the child and the educator is critical during the first three years in which the child's brain is undergoing its most rapid neurobiological development.

Qualification requirements work together with lower child to staff ratios to ensure children are provided with greater care and attention. This is especially important when the child is younger when children are developing language skills.

The first three years of a child's life establish a foundation for socio-emotional and cognitive development in later years.

Australian evidence is still emerging on the importance of qualifications to the provision of ECEC and the benefits for children from birth to 36 months. However, the evidence available points strongly towards the importance of qualifications in improving children's outcomes during the first three years.

For example, Coley, McPherson Lombardi, Sims, and Votruba-Drzal (2013) found that:

Specifically, children who attended centre-based care at age 2 had significantly higher teacher-rated maths skills and literature skills, higher matrix reasoning scores, and marginally higher vocabulary skills than their peers who were in parental care during their toddler wave. (p. 43)

The Effective Provision of Pre-School Education Study (EPPE) also shows that early entry into care was associated with slight improvements in cognitive development, cooperation, conformity, peer sociability and confidence (Melhuish, Sylva, Sammons, Siraj-Blatchford, & Taggart, 2001).

We suggest that the Commission directly consults with Australian academics on the evidence available as we believe the Commission has not considered all the research evidence available and that the Commission has misinterpreted some evidence.

We refer the Commission to the Statement of Australian Academics on Early Childhood.

Practice evidence

Further to these benefits, qualification requirements work together with low child-to-staff ratios to ensure children are provided with greater quality.

ECA also asks the Commission to consider the strong practice evidence for diploma and degree qualified staff providing early childhood education and care for children from birth to 36 months. There is strong practice evidence for diploma and degree qualified staff providing early childhood education and care for children from birth to 36 months.

Qualified teachers have a:

- deeper knowledge of child development and how children learn

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

The Certificate III in Early Childhood provides foundational training in early childhood education and care. It is a welcome minimum standard for all early childhood educators—but this short course only provides basic knowledge.

Diploma qualified educators and teachers have a far deeper understanding of how to support children’s learning and development.

Early Childhood Australia’s members support high qualifications because:

- of the complexity of this age cohort and the burden that this would place on staff without adequate skills
- the leadership capabilities of Certificate qualified educators are not developed
- the Certificate III training does not provide educators with adequate knowledge about children’s development including understanding key developmental milestones or developmental delays
- Certificate III educators have a higher turnover which affects stable relationships with educators and children.

In ECA’s survey of members, the vast majority (69 per cent) indicated that room leaders in rooms with children from birth to 36 months held a minimum diploma qualification. Of respondents, 12 per cent had a minimum degree qualification, whilst just 2.5 per cent had a minimum certificate III qualification. Further to this, 57 per cent said they would continue ensuring diploma or degree qualified educators work with children from birth to 36 months.

ECA recognises the Commission’s intention with these recommendations is to reduce the cost of providing places for children birth to 36 months old. However, in practice, many services report that they will keep diploma and degree qualified staff in rooms with children birth to 36 months old, because they have a duty of care for children and this would not deliver the standard of care expected. If the deemed cost does not take this into account, places for children from birth to 36 months will become more expensive for parents, rather than less expensive.

ECA does not support ratios being provided on an average basis across a week or day. The purpose of child-to-staff ratios is to ensure adequate supervision and attention is provided to

children at all times. It is not only a safety issue, but also to ensure that children are able to form stable relationships with an early childhood educator—which the research shows, is critical for their development. There is already adequate flexibility of delivering ratio standards across the whole service rather than individual rooms.

Over 85 per cent of surveyed members of ECA opposed this recommendation. Comments included:

‘How does this ensure the quality of care for children? As a parent, as well as an educator, I would be most annoyed if I came into my child’s centre and found that their ratios were not being upheld, particularly if they had a large number of children , or a group of children who needed extra educators (e.g. children with additional needs, children who are upset, etc.)’

‘This would only increase stress levels for staff and ultimately be detrimental to children’s outcomes, development and consistency of care.’

‘I think a lot of services would take advantage of this and the numbers would become the norm. We operate with more staff all of the time and it creates a higher quality environment.’

Practical experience remains important for early childhood teachers—particularly in embedding theoretical understandings and putting them into practice. A common complaint from services is that teachers lack practical experience, so to remove practicals during the learning stages would only create further issues for teachers when they graduate and enter employment. Placements with services also allow teachers to gain an understanding of teaching across different service environments and develop a better understanding of their practice.

Comments from ECA members on this recommendation include:

‘If this is the only opportunity they have to gain experience with this age group, then how can we expect them to be ready and competent for when they finish their qualification? Also, how can educators working with children in this age group have the opportunity to have a practical student and gain insights into new ways of thinking and doing in the early childhood field?’

‘Many who are studying early childhood teacher qualifications have already completed diploma qualifications and have already had practical experience with children from birth – 24 months in the diploma course, so they should have Recognised Prior Learning (RPL) for these practical placements. I do believe that if you do not have a certificate III or diploma, it’s important to understand children’s development from birth to 24 months, so it should be part of the course—but RPL should be offered.’

‘ECT’s must have practical experience with birth to 24 months, as this is key to understanding the whole development cycle. It’s ridiculous to suggest that you can miss this critical age/stage of development or view it as unimportant but still be a qualified ECT.’

ECA supports improved process for approving international qualifications.

Recommendations

18. Maintain current *National Quality Framework* requirements relating to educator qualifications and ratios where specified.
19. Develop qualification and ratio requirements for outside school hours care based on research and practice in the delivery of programs and not based on school classroom ratios.

5.3 Assessment and rating

Draft Recommendation 7.6: Governments and ACECQA should:

- urgently reconsider the design of the assessment and ratings system, giving particular consideration to finding ways to increase the pace of assessments
- explore ways to determine services' ratings so they are more reflective of overall quality
- abolish the 'Excellent' rating, so that 'Exceeding *National Quality Standard*' is the highest achievable rating.

ECA believes that the assessment and ratings process is in most cases a significant improvement on the previous accreditation and compliance checks of previous systems. It is providing a strong impetus for quality improvement and supports the objective of the NQF to 'raise the bar' on quality in early childhood education and care services in Australia. ECA believes that if the overall rating did not reflect the same quality rating across all seven quality areas, the impetus for quality improvement by services in those areas would be less strong. Nonetheless, ECA recognises that the relationship between each of the *National Quality Standards* (NQS) elements and the NQS quality areas can be improved.

In doing so it is important to keep in mind the overall objective of supporting continuous improvement in early childhood services.

While it is possible to receive an overall 'exceeding' rating without 'exceeding' in all quality areas, it is not possible to receive a 'meeting' rating without first 'meeting' in all quality areas. We suggest that the two are made consistent, without reducing the impetus for quality improvement.

5.4 Outside schools hours care regulation

Draft Recommendation 7.7: Governments, ACECQA and regulatory authorities, as applicable, should:

- abolish the requirement for certified supervisor certificates
- provide more detailed and targeted guidance to providers on requirements associated with Quality Improvement Plans, educational programming, establishing compliant policies and procedures and applying for waivers
- explore potential overlaps between the *National Quality Framework* and state and local government requirements as part of the ongoing review of the Framework, and ensure any identified overlaps are eliminated.

Review:

- ways that services with higher ratings ('Exceeding *National Quality Standard*') could be relieved of some paperwork requirements, where these are less important to ensuring quality given the service's compliance history
- removing the requirement for outside school hours care services operating.

Outside school hours care (OSHC) services remain an important part of the NQF. Unlike other service types, they do not have to meet new ratio and qualification standards. This should have made the transition to the NQF much easier for OSHC services, but the transition to the NQF has been difficult for some services which were not used to dealing with any regulation or learning framework, particularly in jurisdictions such as New South Wales. We agree that the existing ratio and qualification standards should be clarified.

Further professional development and clarity is required on the NQF, with the development of a School Age Learning Framework in the OSHC context. While there is a need for clarification and ongoing professional support for OSHC services, none of these issues indicate that OSHC does not require regulation. Like all service types, the provision of quality education and care services has an impact on children's development with a link to improved workforce participation and productivity.

The need for continued regulation of OSHC services is underlined by the Royal Commission into Institutional Responses to Child Sexual Abuse: Report of Case Study No.2: YMCA NSW's response to the conduct of Jonathan Lord (Commonwealth of Australia, 2014).

ECA recommends that measures to streamline supervisor certificate obligations be put in place beyond 2016, to ensure that no external registration is required but that services have an onus to identify a responsible person who accepts that duty.

ECA considers that documenting and assessing children's learning is a fundamental part of professional practice and supporting children's development. However, some educators are completing too much documentation, which could be prevented with more professional support and clarity around expectations from Regulatory Authorities. Improved training and professional development is important to support the continued transition to the NQF. The Long Day Care Professional Development Programme (LDCPDP) is welcome in this regard.

Whilst some guidance may be possible, especially in relation to specific concerns, general guidance on subjective standards may place regulators in a difficult position, especially as quality under the NQS may be reflected differently in every service. However, it is important that assessments are thorough and clearly identify where improvements can be made. This enables the services to reflect on the identified areas and, with the use of their Quality Improvement Plans (QIPs), improve on these areas before the next assessment. Services may also need to seek specific professional support on these areas where required.

Recommendations

20. Increase professional development and support to services experiencing difficulty with the implementation of the *National Quality Standard*.

5.5 Regulation beyond the NQF

Draft Recommendation 7.10: State and territory governments should, as a matter of priority, harmonise background checks for ECEC staff and volunteers by either:

- advancing a nationally consistent approach to jurisdiction-based ‘working with children checks’ as proposed in the National Framework for Protecting Australia’s Children, including mutual recognition of these checks between jurisdictions, or
- implementing a single, nationally recognised ‘working with children check’.

ECA supports the harmonisation of Working With Children Checks. The difficulty will be in agreeing to a national background checking system which is rigorous enough in the view of jurisdictions which have a higher standard of checks, particularly those which currently consider non-criminal information. ECA believes that the system of child protection in early childhood services should be reviewed by governments more broadly. This should take into account findings from the Royal Commission’s Inquiry into Institutionalised Responses to Child Sexual Abuse.

Many services are undertaking multiple examinations on employees in addition to Working with Children’s Checks. Ideally there would be one national system.

Draft Recommendation 7.11: Governments should remove those food safety requirements in the National Regulations that overlap with existing state and territory requirements.

State and territory governments, in conjunction with Food Standards Australia New Zealand, should explore the possible exemption of childcare services from Standard 3.3.1 of the Australian food safety standards, as in New South Wales.

ECA supports the removal of duplication in food safety standards, if this does not affect children’s health and wellbeing.

Draft Recommendation 7.12: Local governments should adopt leading regulatory practices in planning for ECEC services. In particular, local governments should:

- use planning and zoning policies to support the co-location of ECEC services with community facilities, especially schools
- use outcomes based regulations to allow services flexibility in the way they comply with planning rules, such as in relation to parking
- not regulate the design or quality of any aspect of building interiors or children’s outdoor areas within the service property, where such regulation duplicates or extends the requirements of the National Regulations or other standards such as the Building Code of Australia
- not impose regulations that interfere with the operation of the ECEC market, such as by restricting the maximum number of permitted childcare places in a service
- provide clear guidelines for the assessment of development proposals in relation to ECEC services, and update these guidelines regularly.

State planning departments should, as in Victoria, develop flexible standard planning provisions that can be applied across local governments to ensure some level of consistency; and scrutinise amendments to local planning schemes that might seek the introduction of different standards to guard against potentially costly requirements being imposed.

ECA agrees with the Commission’s recommendations which support a number of concerns we raised in our earlier submission to the Inquiry.

However, since the Commission’s Draft Report, the Best Practice Guidelines for the Planning and Development of Child Care Facilities (ACELG, 2014) commissioned by the Commonwealth Government has been released.

We believe that the Commission has not taken into account the full breadth of planning issues fully described in the report.

The Guidelines provide a strong foundation for local governments to improve children’s development opportunities and support the workforce participation of families. ECA supports the implementation of the Guidelines by local governments.

Recommendation

21. Support the Best Practice Guidelines for the Planning and Development of Child Care Facilities.

6 ECEC service models

The early childhood education and care (ECEC) sector in Australia is a broad mix of service types—from centre-based care to in-home models that provide flexible hours for families. The Draft Report from the Productivity Commission Inquiry into Child Care and Early Childhood Learning outlined a number of recommendations related to various service types, including the eligibility of in-home care models for government subsidies.

6.1 Preschool—supporting universal access

Draft Recommendation 12.9: The Australian Government should continue to provide per child payments to the states and territories for universal access to a preschool program of 15 hours per week for 40 weeks per year. This support should be based on the number of children enrolled in state and territory government funded preschool services, including where these are delivered in a long day care service. The Australian Government should negotiate with the state and territory governments to incorporate their funding for preschool into the funding for schools, and encourage extension of school services to include preschool.

Draft Recommendation 12.10: The Australian Government should provide per child preschool payments direct to long day care services for 15 hours per week and 40 weeks per year, where long day care services do not receive such funding from the states and territories.

Draft Recommendation 5.1: Payment of a portion of the Family Tax Benefit Part A to the parent or carer of a preschool aged child should be linked to attendance in a preschool program, where one is available.

Australia's preschool education sector is vital to the long-term success of the nation with demonstrable improvements to educational, social and emotional outcomes for children as they develop and mature.

The Commission has highlighted a number of areas that the Commonwealth Government can strengthen its involvement in ensuring all children have access to a quality early education before they begin primary school. ECA believes that the Australian Government has an important role in increasing preschool participation rates to international benchmarks. We also note that the Commonwealth Government has already committed to another 12 months of funding for the Universal Access partnership, as announced by Assistant Minister for Education, the Hon Sussan Ley MP at our National Conference on 5 September 2014.

Nonetheless, ECA is concerned that the recommendation is that preschool funding be calculated on a 'per child' basis. The universal access scheme has to date been outcomes focused. The funding has been used for a variety of different purposes in different jurisdictions, including capital to build space for new places, employing new staff and other initiatives. These projects have not necessarily delivered funding on a per child basis—but it has delivered the outcomes sought by government—to increase participation of children and increase the number of hours delivered. While we recognise that future arrangements with the state/territory governments need to provide a model of funding for the future that provides transparency for the Commonwealth, a 'one size fits all' model may not be the best approach.

An alternative approach would be to provide a national legislative right for children to access early childhood education and care in the year before school for 15 hours, as in Norway and other countries in Europe. The funding could then be delivered based on this legislative requirement.

ECA believes that preschool programs delivered by a qualified teacher can be effectively delivered in long day care settings and that this can be more convenient for families with both parents engaged in paid work. In principle, we therefore support the proposal that Australian Government funding for universal access to preschool could be provided to long day care services that are able to deliver a preschool program. This provides working families with greater flexibility. It also provides children with a stable environment with consistent educators, and avoids the need for the child to go to multiple care arrangements, including outside school hours care. We understand that the original National Partnership Agreement included the requirement of preschool across different early childhood settings, but this was not adhered to by all governments.

Despite supporting the principle, ECA recognises that there are some challenges here, the first is that the Australian Government funding is a 'top up' pool of funding that supports additional hours of delivery not the full cost of the program, so unless state governments are also willing to fund preschool delivery in long day care it may be difficult to achieve. In states/territories with a strong public sector delivery model (e.g. ACT, Tas. and WA) where preschool is free for families and integrated with the primary school system, it could be problematic to withdraw funds from the public system and could have a negative impact on participation rates. ECA believes that further consultation with families and service providers on a state-by-state basis is needed.

ECA also agrees with the Commission that the current 15 hours cap must be maintained. It's crucial that the system is aligned with the available evidence on what is best for children. The Effective Provision of Preschool Education study (EPPE) (Sylva et al., 2004) found that children attending preschool for 15 hours per week had positive gains in their cognitive development. When comparing children attending preschool part-time at 15 hours per week, and full-time at 30 hours per week, there were significant differences in cognitive gains. They also found that an extended period of preschool experience on a part-time basis is likely to be more advantageous than a short period of full-time provision.

Boardman (2005) examined the effect of full-day and half-day kindergarten programs on the literacy and numeracy outcomes of Tasmanian children who began their preparatory year of school in January 2004. In a comparison of Performance Indicators of Primary Schools (PIPS) test scores of 884 students across 38 schools, the results indicated that reading, numeracy and overall test scores were significantly higher among children who had attended full-day sessions of kindergarten the previous year.

Having 15 hours of contact per week also helps build quality relationships between educators and children. It isn't ideal for children to have multiple care arrangements as this can lead to behavioural problems. If preschool and kindergartens services are open for shorter times, and this requires the need for outside school hours care, this does affect the stability of the relationship between the child and their care givers, which we know is critical for the child's development.

ECA has just conducted a survey of kindergartens and preschools and we have found that many services are flexible in how they deliver the 15 hours depending on family needs. A reduction of hours would affect the flexibility of preschool for families.

ECA believes that up to 30 hours early childhood education and care is probably ideal for children. We know that the research shows that more than 30 hours of non-parental care per week is associated with lower language skills, regardless of the type of early learning program attended (Harrison, 2009). The research also suggests that care beyond 30 hours can lead to behavioural issues. However, the quality of the service does act as a protective factor against these risks.

ECA supports strategies to encourage families receiving Family Tax Benefit Part A to access preschool in the year before school. However, it may be difficult to implement this as a compliance mechanism when preschool is not compulsory, this must be coupled with adequate provision of preschool services. It is unreasonable to expect families to enrol children in preschool if these services are not available, too expensive or too difficult to access—particularly in rural and remote areas. It might be more appropriate to have a preschool engagement program that uses the payment of Family Tax Benefit to identify children not attending preschool and then reach out to those families to discuss the reasons or barriers to participation. This could be done through the social workers employed by Centrelink or through a funding arrangement with Family Support Program providers (contracted through the Department of Social Services) or by resourcing preschools.

Recommendations

22. Establish a national legislative right for all children to access a quality preschool program in the year before school (for 15–30 hours per week for 40 weeks) and set participation targets in line with international benchmarks.
23. That the Commonwealth Government consult further with state/territory governments, service providers and families on the benefits and risks of providing preschool programs in long day care settings.
24. Consider using the Family Tax Benefit payment to identify families with children not currently attending preschools and then an outreach program that supports engagement.

6.2 In-home care

Draft Recommendation 8.6: The Australian Government should remove the In-home care category of approved care, once nannies have been brought into the approved care system.

Draft Recommendation 9.1: The Australian Government should remove the registered childcare category under the Child Care Benefit.

Draft Recommendation 8.5: Governments should allow approved nannies to become an eligible service for which families can receive ECEC assistance. Those families who do not wish their nanny to meet *National Quality Standards* would not be eligible for assistance toward the costs of their nanny. *National Quality Framework* requirements for nannies should be determined by ACECQA and should include a minimum qualification requirement of a relevant (ECEC related) certificate III, or equivalent, and the same staff ratios as are currently present for family day care services. Assessments of regulatory compliance

should be based on both random and targeted inspections by regulatory authorities.

Early Childhood Australia (ECA) supports the recommendation that nannies should be supported under a new subsidy system, if as recommended, they meet the *National Quality Framework* (NQF) equivalent to family day care, including qualification and ratio requirements. The primary benefit of incorporating nannies into the system is to provide flexibility for families with non-standard work hours who require care in the early mornings, evenings and overnight. This would allow that care to be provided in the child's home, maintaining their ordinary routines in relation to meals, relaxation and sleep. However, in-home or nanny care should not be considered an alternative to early childhood education programs provided in long day care, preschool and family day care settings. Education programs provide children with rich learning experiences and social interaction with other children (beyond siblings), while this is particularly important in the year before school, it also has benefits for younger children aged three- to four years. Ideally, children will participate in educational programs during standard operating hours for 15 hours a week or more and have nanny care outside standard operating hours when families need it.

There will need to be some differences to the regulation of nanny educators and nanny services. ECA is confident that the differences of providing care in the family home can be overcome. Regulations should also ensure that other subsidies toward the cost of care and education for children are not used to pay for household support such as shopping, cleaning or cooking (beyond duties required to care for children). This would be an inappropriate use of public funds.

If the cost of bringing nanny services into the system is prohibitive, the number of places could be capped. The modelling provided by the Commission was done on the basis that the cost would be similar to the hourly rate currently applied to family day care. ECA agrees with this modelling, and suggests that subsidised in-home care is similar to those for family day care if a deemed costs model is applied.

Survey respondents (close to 80 per cent) strongly agreed with the recommendation that subsidised nannies must hold a qualification with the Certificate III an appropriate minimum qualification standard.

Like family day care educators, educators employed as a nanny or in-home educator should be attached to a coordination unit. This might be an approved long day care service, family day care service, or 'nanny agency'. Staff at the coordination unit must be qualified with at least a diploma qualification. These coordination units provide:

- professional support and development
- monitoring and home visits
- centralised intake services
- a central point of administration and regulatory interface.

This is important for compliance and oversight. Coordination units prevent educators from submitting falsified time sheets, where no children are actually in care. The services are also responsible for the quality of care delivered by educators, and are assessed by regulatory authorities against the *National Quality Standards* (NQS).

ECA believes that in-home care services should become the name for ‘nanny’ services, and ‘in-home care educators’ the name of the educators. The word ‘nanny’ implies the delivery a whole range of services which would be inappropriate for the taxpayer to subsidise such as cooking, cleaning and other household chores which are not related to the delivery of early childhood education and care.

The availability of registered Child Care Benefit (CCB) is not widely known and the level of subsidy is so low that it is not providing children, families and grandparents with meaningful support. The administrative burden of claiming the payment for such a low return means that the payment is not achieving its original objectives. As a result, we agree with the Commission that Registered Child Care Benefit should be abolished. We are however, concerned about the need to support grandparents raising children—additional subsidy to enhance access to ECEC for these families would be an appropriate use of the savings from abolishing registered CCB.

Recommendations

25. Subsidised nannies should operate under a coordination unit similar to family day care, with minimum qualification requirements and appropriate quality regulation.
26. Increase subsidies for grandparents raising young children to enhance access to early childhood education and care.

6.3 Au pairs

Draft Recommendation 8.7: The Australian Government should simplify working holiday visa requirements to make it easier for families to employ au pairs, by allowing au pairs to work for a family for the full 12 month term of the visa, rather than the current limit of six months.

ECA believes there is merit in allowing au pairs to work with families for a longer period of time to allow children to form attachments with caregivers and avoid multiple changes in caregiver relationships in the early years.

6.4 Occasional care

Draft Recommendation 8.4: The Australian Government should remove caps on the number of occasional care places.

ECA supports the removal of a cap on occasional care services if they meet *National Quality Framework* and Family Assistance Law requirements.

6.5 Outside school hours care

Draft Recommendation 8.1: The Australian Government should ensure that the requirement (currently contained within the Child Care Benefit [Eligibility of Child Care Services for Approval and Continued Approval] Determination 2000) for most children attending an outside school hours care service to be of school age, is removed and not carried over into any new legislation.

Draft Recommendation 8.2: State and territory governments should direct all schools to take responsibility for organising the provision of an outside school hours care service for their students (including students in attached preschools), where demand is sufficiently large for a service to be viable.

ECA supports recommendations for an increase in outside school hours care (OSHC) services in schools, as these are vital services for every school community.

ECA does not support removing the requirement that the majority of children attending OSHC are school age because if this requirement is removed the difference between OSHC and long day care becomes unclear with implications for subsidy rates and regulation. Maintaining clear definitions between service types is important for a number of reasons, the most important is the safety and wellbeing of very young children (under the age of five) who attend OSHC services—regulations pertaining to staff qualifications, ratios and relationships with children should be the same as long day care and preschool for this age group.

Recommendations

27. Maintain the requirement that most children attending an outside school hours care service must be of school age.

7 Workforce issues

7.1 Wage rates

Early Childhood Australia (ECA) recognises that workforce issues are a major concern to early childhood service providers and the hundreds of thousands of educators working in the sector. The high turnover of staff and inability to attract and retain suitably qualified staff, especially qualified teachers is having a major effect on the ability of services to plan for the future and ensure long-term sustainability.

Wages are a major concern to many educators. The historically low award rate is being pressured by the continual professionalisation of the sector, making it difficult for qualified educators to stay in the sector. The Draft Report provided by the Commission notes that the current Equal Remuneration Case before Fair Work Australia could place significant pressure on costs and may lead to an increase in fees but makes no recommendations on the issue.

ECA believes that addressing educators' low wages would augment the quality reform agenda and is essential to ensuring the future viability of the sector which supports Australian families and children. A stable, skilled and professional labour force is widely acknowledged as vital to ensuring high-quality early childhood education and care (ECEC), but educators continue to be poorly paid for the significant work they do in educating and caring for our children.

If the proposed financing model subsidises early childhood services based on a 'reasonable cost' this would provide a mechanism to ensure that any increase to educator wage rates is subsidised at least in part by government, reducing the risk of this affecting affordability for families. However, the initial impact of a substantive wage increase may warrant a sector support package to ease the transition to professional wage rates without loss of viability and consequently sudden changes to supply and access.

7.2 Qualification training

Draft Recommendation 11.1: Governments should ensure, through regulatory oversight and regular audits by the Australian Skills Quality Authority, that Registered Training Organisations maintain consistently high-quality standards in their delivery of ECEC-related training.

ECA supports rigorous oversight of the quality of Registered Training Organisations (RTOs) and the delivery of ECEC-related training. Service providers have consistently raised concerns of poor quality qualification training—particularly in the Certificate III arena which is problematic for employers that find some 'qualified educators' do not possess the skills necessary for the occupation.

ECA also believes that there would be value in monitoring the ECEC workforce to identify potential shortfalls in the supply of educators with appropriate qualifications.

Beyond supporting the capacity of the sector to meet minimum quality standards, there is scope for government to support innovation through investment in the leadership capability of the ECEC sector. This is a sector with a very large number of individuals in leadership roles—as Service Directors and Educational Leaders. There is the potential to support innovation and improvement by investing in their capacity. Leaders who understand pedagogy and are committed to quality, but also have an appetite for innovation, are well placed to identify the opportunities for improvements and changes in practice or program design that will deliver increased returns on the investment Australia makes in ECEC.

8 Conclusion

8.1 Summary of recommendations

1. That the best interests of children are put at the centre of the early childhood education and care system with a clear statement of purpose such as ‘all children have the best start in life to create a better future for themselves and for the nation’.
2. Don’t just link data sets—Develop an outcomes framework for the ECEC system to measure the impact of quality programs at both the individual and system level, including economic and social benefits of continued and/or increased investment.
3. Establish a development fund at 0.01 per cent of expenditure on ECEC to invest in data collection, research priorities, evaluation and consultation with families and children to drive systemic improvements.
4. While supporting the single subsidy model of the proposed Early Care and Learning Subsidy, ECA recommends that further work be undertaken to analyse the impact on families across the household income spectrum to determine the real impact on out-of-pocket costs with the option to apply a steeper taper rate if needed in order to protect low income families from increased costs.
5. The Commission use a benchmark or reasonable cost model rather than a deemed or efficient price model for establishing the rate of subsidy, with further work to be done to inform variables impacting on the rate of subsidy including service type, location and the age of children in care and education programs.
6. ECA does not support the Activity Test proposed by the Commission and instead recommends that a variation of the Work Training Study Test for the Child Care Benefit (CCB WTS) be adopted for the ECLS which would allow up to 24 hours of subsidised ECEC for all children regardless of the work/study participation of their parents, increasing to 50 hours for families when both parents are working for more than 15 hours.
7. ECA does not support the Commission’s proposals regarding changing the tax concessions available to not-for-profit providers that are registered charities.
8. ECA does support a review of funding and regulatory arrangements after implementation as well as further sector consultation to:
 - promote understanding of policy objectives
 - build support for reform
 - identify potential roadblocks and risks.
9. Expand eligibility for the Special Early Learning and Care Subsidy to include children with additional needs being assessed for disability or learning difficulties and children at risk or vulnerable on one or more developmental domain to ensure it is readily available and supports timely early intervention.

10. Establish SELCS as a 'needs based' program rather than a capped expenditure program, based on estimated prevalence and need.
11. Maintain an inclusion support program that has the capacity to support the service system to be more responsive and inclusive.
12. The Disadvantaged Communities Program be designed to provide long-term investment in integrated service models and enhanced or intensive programs that can equalise opportunity and reduce vulnerability in highly disadvantaged communities.
13. ECA supports a long-term and sustainable block funded model for services operating in disadvantaged communities—particularly Aboriginal and mobile preschool services.
14. ECA supports continued investment in family day care coordination units with a track record in compliance and quality service delivery.
15. That the Commission recommend to the Federal Government the development of an early learning toolkit designed to be accessed by all grandparents to help their grandchildren's learning.
16. Keep preschools in the *National Quality Framework*.
17. Bring Budget Based Funded services into the *National Quality Framework*.
18. Maintain current *National Quality Framework* requirements relating to educator qualifications and ratios where specified.
19. Develop qualification and ratio requirements for outside school hours care based on research and practice in the delivery of programs and not based on school classroom ratios.
20. Increase professional development and support to services experiencing difficulty with the implementation of the *National Quality Standard*.
21. Support the Best Practice Guidelines for the Planning and Development of Child Care Facilities.
22. Establish a national legislative right for all children to access a quality preschool program in the year before school (for 15–30 hours per week for 40 weeks) and set participation targets in line with international benchmarks.
23. That the Commonwealth Government consult further with state/territory governments, service providers and families on the benefits and risks of providing preschool programs in long day care settings.
24. Consider using the Family Tax Benefit payment to identify families with children not currently attending preschools and then an outreach program that supports engagement.
25. Subsidised nannies should operate under a coordination unit similar to family day care, with minimum qualification requirements and appropriate quality regulation.
26. Increase subsidies for grandparents raising young children to enhance access to early childhood education and care.
27. Maintain the requirement that most children attending an outside school hours care service must be of school age.

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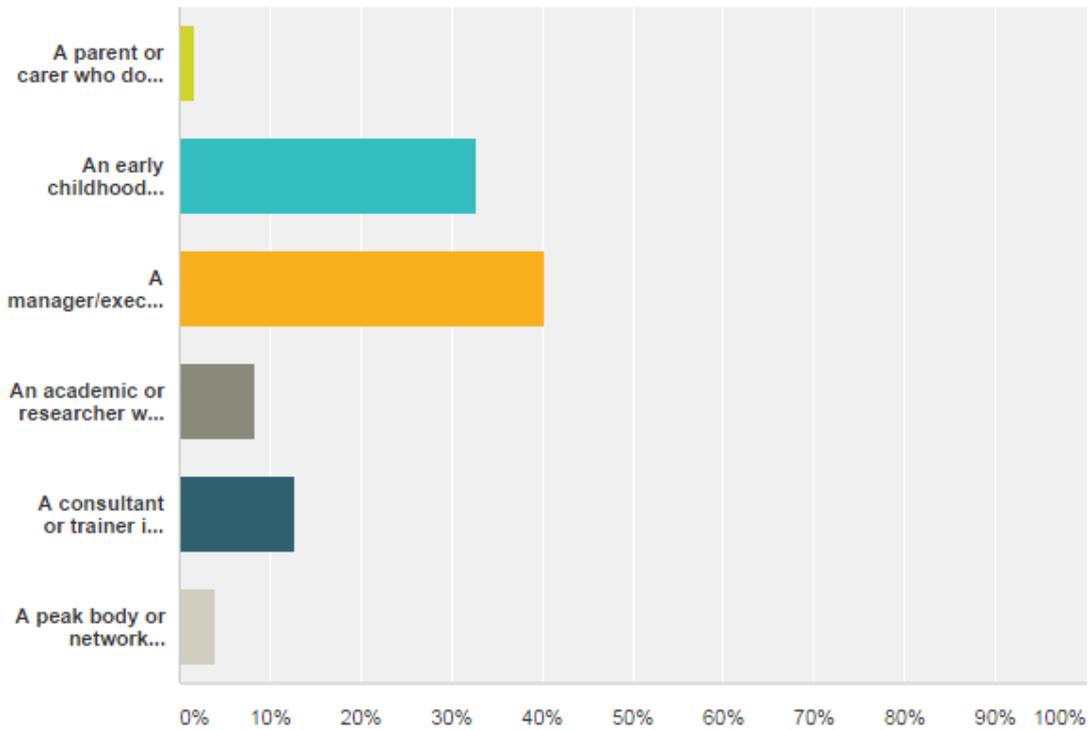
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Attachment 1: Survey respondents

Please start by telling us in what capacity you are responding to this survey:

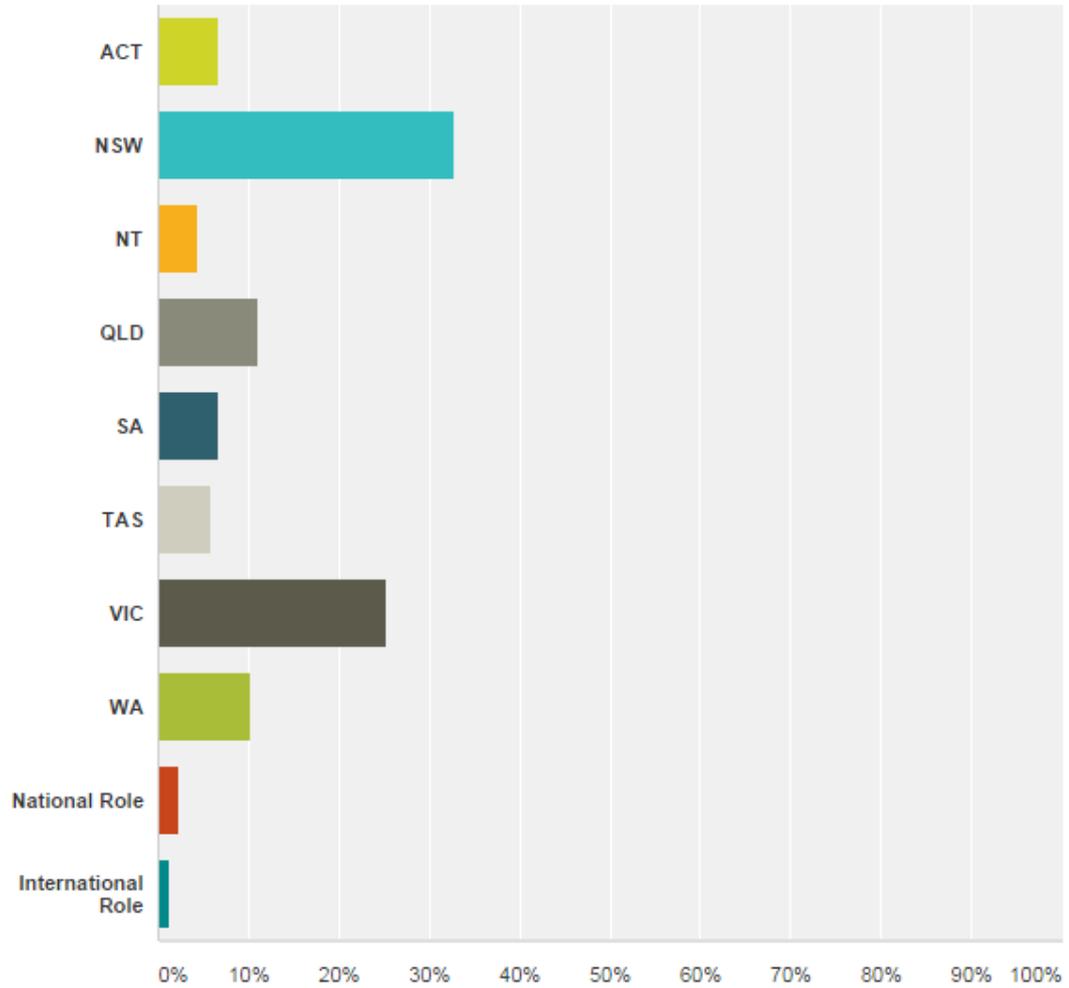
Answered: 226 Skipped: 0



Answer Choices	Responses
A parent or carer who does not work in the early childhood sector	1.77% 4
An early childhood educator or teacher (you may also be a parent but you work in the sector)	32.74% 74
A manager/executive or director with responsibility for one or more early childhood services	40.27% 91
An academic or researcher with expertise in early childhood	8.41% 19
A consultant or trainer in a teaching or development role	12.83% 29
A peak body or network representing a sub-group of early childhood service types	3.98% 9
Total	226

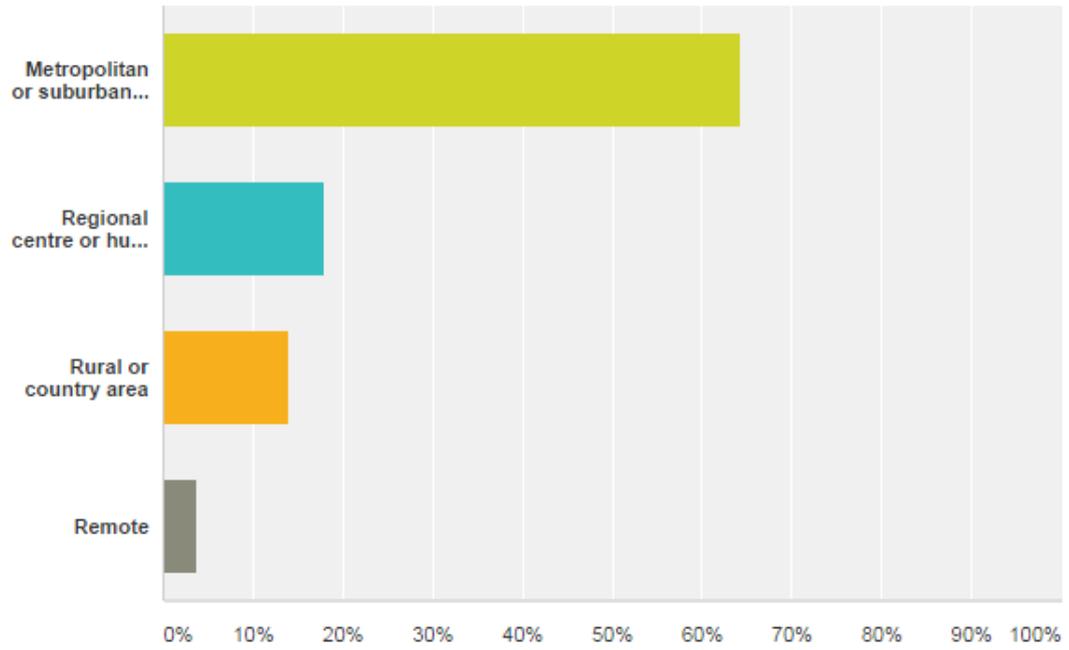
Where do you live and work?

Answered: 226 Skipped: 0



Would you describe your location as...

Answered: 216 Skipped: 10



What type of service setting(s) do you work in, with, or use? more than one can be selected

Answered: 226 Skipped: 0

