

## **SOCIAL VENTURES AUSTRALIA SUBMISSION TO THE PRODUCTIVITY COMMISSION REVIEW INTO CHILDCARE IN AUSTRALIA**

Strong evidence confirms investing in quality early learning provides exponential economic<sup>1</sup> and social return for the child, their family, and for the community. Early childhood education is particularly beneficial for children in low SES communities: without it, these children can arrive at school behind and fall further behind. By age 15 they can be up to three years behind their more affluent peers<sup>2</sup>. The inevitable consequence is an increased likelihood of unemployment<sup>3</sup>.

Based on Social Ventures Australia's (SVA) experience to date, we provide the following recommendations that help create the best early learning and childcare environment for all children, fosters their broader developmental needs and also provides additional targeted support for vulnerable children.

Australian and international studies have shown that children's literacy and numeracy skills at age four to five years are a good predictor of academic achievement in primary school.<sup>4</sup> Therefore, investment in early years care and education is critical to ensuring that children have developed sufficiently to engage and thrive when they arrive at school.

### **SVA RECOMMENDATIONS**

SVA puts forward the following recommendations and supporting evidence:

1. Increase overall investment in early education and care (ECEC) because it delivers social and economic returns and creates a strong foundation for a child's future schooling and employment prospects.
2. Reform the payments to ensure all children can access ECEC but provide additional assistance to centres serving low and middle income families and vulnerable children.
3. Maintain the National Quality Framework, including the National Quality Standards and Assessment and Ratings process to ensure an evidence-based national minimum benchmark for ECEC in Australia.

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<sup>1</sup> One study has found that every dollar invested in quality early childcare and education saves taxpayers up to \$13 in future costs. <http://web.mit.edu/workplacecentre>

<sup>2</sup> 'Education and Social Cohesion'. McGraw B. 2006a. Paper presented at the Dean's Lecture Series, Faculty of Education, University of Melbourne

<sup>3</sup> More than 40% of young people from disadvantaged backgrounds are not earning or learning. Centre for New Public Education, Foundation for Young Australians. <http://www.theaustralain.com.au/news/coalition-unveil-education-policy-which-they-say-is-truer-to-the-Gonski-review/story-e6frg6n6-1226647906762>

<sup>4</sup> Harrison L J, Goldfeld S, Metcalfe E and Moore T 2012 "Early learning programs that promote children's developmental and educational *outcomes*' Resource sheet no. 15 produced for the Closing the Gap

4. Enhance the evidence base for ECEC by developing a child outcomes system that capitalises on existing data and process, including the Australian Early Development Index (AEDI).

## **ABOUT SOCIAL VENTURES AUSTRALIA**

SVA has two strategic areas of focus; education and employment.

Our focus in education is helping all Australian children achieve their potential and thrive, regardless of the postcode they happen to be born in. We do this by harnessing and replicating best practice in providing support and nurturing of children who are vulnerable and more likely to fall behind at school. We believe quality early learning, especially for these children, creates the foundation for effective engagement and success in school.

Therefore our recommendations are based on ensuring the integrity of the ECEC system is maintained while improving support for those children who may need additional assistance to access the life-long opportunities that result from successful and engaged schooling.

## **RECOMMENDATIONS in detail**

- 1. Increase overall investment in ECEC because it delivers social and economic returns and creates a strong foundation for a child's future schooling and employment prospects.**

One of the keys to SVA's approach is to support schools in low-SES areas. This submission will focus largely on how to improve the outcomes for children born into these challenging communities. Early childhood education is particularly beneficial for low SES children: children from challenged and socially excluded backgrounds are frequently not given the attention and support that enables them to develop at a rate similar to those from a more affluent background. Without early intervention, the gap continues to widen and disadvantaged children increasingly underperform throughout their entire education. The inevitable consequence is an increased likelihood of unemployment.

The Australian Early Development Index National Report (March 2011) showed 32% of children living in the most socioeconomically disadvantaged areas are vulnerable in one or more of five domains of children's development, and 17.5% are vulnerable in two or more. The remedy for this inequity is high quality early learning.

## Early childhood education (ECE) sets up disadvantaged children to perform in school<sup>5</sup>

- School readiness
  - No ECE = only 28% of children aged five years were ready for school
  - With ECE = 67% of children aged five years were ready for school
- High school graduation
  - No ECE = 45% of children graduated from high school
  - With ECE = 65% of children graduated from high school

## ECE also sets up children for later life<sup>6</sup>

- College attendance
  - No ECE = 14% of children who attend a 4 year college
  - With ECE = 36% of children who attend a 4 year college
- Skilled profession
  - No ECE = 27% of children who went on to a skilled job
  - With ECE = 47% of children who went on to a skilled job

According to a 2004 US study, attending ‘pre-kindergarten’ for one year would raise the average reading score of children in the population as a whole from the 50<sup>th</sup> percentile to the 55<sup>th</sup> percentile. For disadvantaged children it would raise the reading score from the 33<sup>rd</sup> percentile to 44<sup>th</sup> percentile, significantly closing the gap.

Investing in quality early learning delivers tangible benefits to the children who receive a strong foundation to support their lifelong learning but also provides social and economic benefits for the nation.

Ensuring early learning and childcare is high quality and affordable is key to maintaining and increasing productivity by supporting more women to return to work after they have children.

Many children, particularly in disadvantaged communities miss out on access to early learning, and start school behind their peers as a result. Experience shows that children who start school behind tend to stay behind. Increased public investment in affordable, high quality early learning for all children will support them to thrive throughout their lives, and produce economic and social benefits for the community.

<sup>5</sup> High-scope/Perry (MI, US): Randomized trial of 123 low-income African-American children who were assessed to be at high risk of school failure half of which were randomly assigned to a program group that received a high-quality preschool program at ages 3 and 4 and half which received no preschool program (started in 1962–1967)

<sup>6</sup> Abecedarian Program (NC, US): Randomized trial of 111 infants between 1972 and 1977 with 57 randomly assigned to receive center-based early educational intervention and 54 in a control group

**2. Reform the payments to ensure all children can access ECEC but provide additional assistance to centres serving low and middle income families and vulnerable children**

Additional investment in ECEC needs to ensure further funding is targeted to those who most need additional support. The system must ensure quality, affordability and accessibility for low and middle income children and their families is an absolute priority.

It is critical that any changes to funding arrangements are targeted at resourcing childcare centres in low SES communities to develop critical programs that assist the early learning and development of those children who are more likely to fall behind at school.

**3. Maintain the National Quality Framework, including the National Quality Standards and Assessment and Ratings process to ensure an evidence based national minimum benchmark for ECEC in Australia and to provide transparency to parents.**

The National Quality Framework is evidence based and will achieve much needed national consistency in ECEC.<sup>7</sup> There has been some debate about the merits of the reforms and associated costs. SVA believes these should be viewed as an investment in building our nations' human capital by ensuring children start school with the foundational social, emotional and developmental skills they need to succeed throughout their education.

The Assessment and Ratings process, which provides parents with a clear view of the quality of ECEC services being offered, is an important part of the reforms that must be maintained.

In terms of quality, internationally many comparable countries have mandated much higher standards than those in the NQF. For profit and non-profit centres often exceed the current Australian national standards.<sup>8</sup> Improving workforce qualifications and ratios, relative to international benchmarks, is crucial to ensuring that every child

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<sup>7</sup> COAG 2008

<sup>8</sup> Expert groups recommend higher educator to child ratios than Australia, see American Academy of Paediatrics 2005 *Quality Early Education and Child Care from Birth to Kindergarten* Policy Statement 115, 1 187-191; NICHD Early Childhood Research Network (2000). Characteristics and quality of child care for toddlers and preschoolers. *Applied Developmental Science*, 4(3), 116–35. The United Kingdom has higher educator to staff ratios for nursery rooms (1:3) and family day care (1:3) than Australia.

receives the developmental support they need to thrive as they grow up in the global economy.

Through the Assessment and Ratings process, it is important centres who are not meeting standards are supported to implement strategies to improve their services. The Quality Improvement Plans appear to be a useful tool to achieve this. A process of continual improvement **and** minimum standards is important to protect the integrity of the ECEC system, and will provide a pathway for Australia to catch up with the rest of the world.<sup>9</sup>

Finally, in the context of providing confidence, regulations such as the NQF provide important protection for children and parents against understandable but potentially damaging pressure to cut staffing (the major expense of quality ECEC) to reduce costs.<sup>10</sup>

**4. Enhance the evidence base for ECEC by developing a child system framework that capitalises on existing data and process, including the Australian Early Development Index (AEDI).**

We believe that ongoing funding for the AEDI is critical to help measure and evaluate the progress of children as they move from early developmental stages through to schooling. The AEDI provides a comprehensive map of early developmental outcomes across Australia.

Modest recurrent funding of AEDI (around \$28 million) would allow policy makers to evaluate the impact of policies by monitoring trends in early childhood development, plan cost effective allocation of public resources and would also facilitate high quality research. AEDI is currently only funded to 2015 through the federal government Department of Education but ongoing and recurrent funding is needed to ensure the AEDI can be conducted every 3 years.

In order to improve any service we need to collect consistent outcomes data, such as that provided by the AEDI which could:

- inform service providers to improve and increase early childhood outcomes
- offer parents transparent information to be able to make decisions about ECEC services that best meet their child's needs
- provide governments and other policy makers with information about how to allocate resources.

<sup>9</sup> Economist Intelligence Unit 2012 op cit p. 30

<sup>10</sup> McGurk, H., Mooney, A., Moss, P. and Poland, G. (1995) Staff-Child Ratios in Care and and Education Services for Young Children, London: HMSO: 25

The need for providers of our most critical services to measure their outputs, outcomes and impact is now widely recognised. The Early Learning sector continues to be a focus of government and community debate, particularly as demand exceeds supply (in some places) and costs and fees continue to increase. This is a classic case where input measures continue to dominate. Outcomes data is critical to understand what interventions are working; and how to improve those that aren't.

Steps have already been taken through the National Quality Framework (NQF), the COAG Reform Council and the AEDI to consider the impact ECEC has on children's learning and development outcomes with some promising results about the benefits of ECEC. Further longitudinal research that is currently underway, such as E4Kids, will provide more valuable information.

## **FURTHER DEVELOPMENT OF MEASURES**

SVA believes there is an opportunity to collaborate with the government, ACECQA, the AEDI and leading ECEC researchers and ECEC providers to build upon the existing work done by these organisations to build the evidence base and measure and eventually improve ECEC outcomes for children.

There is a need to ensure systems facilitate the systematic collection and analysis of data to measure outcomes and improve performance in ECEC. This should include streamlining reporting requirements and ensuring ICT capability supports the exchange and analysis of high quality data.

The Commission could consider a more comprehensive measurement system that would provide a set of agreed outcomes for early learning centres to track to; a list of indicators to measure these outcomes; surveying and analytical tools, and direct access to input and analyse data. Over time, comparative outcomes data could be provided at a centre, organisational, regional and state level. This would enable centres to compare their results to those of their peers (as is possible with school based NAPLAN results), share knowledge and learn how to improve. It would also enable government to understand early learning development outcomes before school ready age, as currently measured by the AEDI. Ideally, this system would build on the transparent processes in place to ensure we are assessing the benefits provided to our children through the current measurement and assessment framework.

Early consultation on this concept has uncovered a similar project being implemented as part of the USA governments 'Race to the Top - Early Learning Challenge' program. The state of California has received federal funding to improve the quality early childhood education programs for children. Los Angeles Universal Preschool, a non-profit organisation whose mission is to provide access to quality early childhood education for children in Los Angeles County, and 16 state-wide agencies are collaborating to implement a Quality Framework. A key component of the program is a measurement and evaluation system to be implemented by each organisation. The system is grounded in a new web-based outcome and attendance tracking software called Efforts to Outcomes (ETO) developed by Social Solutions. On this system each organisation is able to take assessments, track child outcomes, complete other quality framework assessments (e.g. teacher training etc) and track attendance.

SVA has already started to collaborate with Social Solutions to understand this model and scope its application to measuring quality outcomes that ensure no Australian child misses out on the right early learning support. Further analysis of this model and precedent is needed to consider its application in the Australian context. Government support for this research, analysis and reporting would be valuable and timely.

### **CONCLUSION**

SVA asks the Productivity Commission to consider our recommendations as part of the broader review, so that every Australian child has the opportunity to thrive, regardless of the postcode they happen to be born into. Affordable and accessible high quality early learning and care is in the social and economic interests of all Australians. If there is any additional information we can provide to support this submission, we would be happy to do so.

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