

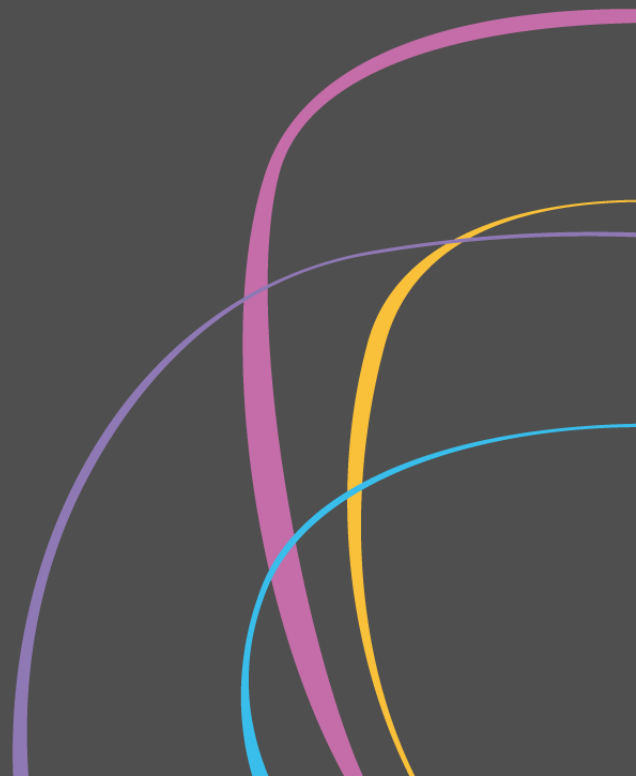
Goodstart Early Learning

Submission to
Productivity Commission

Human Services Inquiry – Identifying
Sectors for Reform

**goodstart
early
learning**

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1. Introduction

As the nation's largest for-purpose, not-for-profit provider of Early Childhood Education and Care (ECEC), Goodstart is committed to improving outcomes for all children. Government also makes a significant investment in ECEC in recognition of the three fold return to the economy it delivers via increased parental workforce participation, building human capital in children's first five years and addressing children's vulnerabilities and disadvantage through early intervention before children start school.

As an organisation and social enterprise, Goodstart itself is a product of a strong not-for-profit sector, formed after the commercial collapse of publicly listed ABC Learning. The collapse of ABC Learning in 2008 provides a powerful reminder of how severe the consequences can be for Governments and the community when markets experience failure but also, through the establishment of Goodstart, demonstrate the benefits of human services policy settings that encourage the not-for-profit sector to invest and innovate in the national interest and to improve outcomes for children, families and communities. As the nation faces emerging economic and social challenges, Government policy must ensure that the capacity of the not-for-profit sector to innovate and invest, particularly to address complex social problems is retained and protected.

In considering moving to more market based mechanisms for human services, it is important to recognise that the social services system in Australia has been built upon a rich history of collaboration, shared goals and localised responses. These factors are critical to achieving successful outcomes in the delivery of human services.

Goodstart is committed to working collaboratively with Governments, families, practitioners and the social services sector more broadly to help build a world-class universal early childhood education and care system that equips children, including vulnerable and disadvantaged children with the skills they need to succeed in life. We currently have strong local relationships with many human services providers working in the health, family support, homelessness and family violence sectors and the commitment to collaboration to improve outcomes for children and families is a characteristic built on goodwill that leads to best practice holistic policy outcomes especially for vulnerable children and families.

In this short submission we address relevant requests for information from the issues paper and make several recommendations for consideration in preparing for the next phase of the Commission's process. We argue that ECEC services should be out-of-scope for the next phase of this inquiry as ECEC services already operate in an efficient competitive market that is meeting the desired policy objectives for children and families. We also provide some examples of the factors that are important in ensuring quality and equity objectives for children and families are met within the competitive ECEC market.

We also commend the submissions of our sector colleagues to the Commission, in particular those made by or supported by our founding members: The Benevolent Society, The Brotherhood of St Laurence, Mission Australia and Social Ventures Australia.

2. Summary of Recommendations

We have considered the issues paper and make the following key recommendations for the Commission to consider in developing the second phase of this inquiry.

1. That future policy development, reports and processes for this Inquiry note that the not-for-profit and community sector in Australia has a strong history of fostering innovation which has directly led to improved outcomes for children, families and Governments and the ability for the sector to innovate must be maintained.
2. That Early Childhood Education and Care (ECEC) services should be out-of-scope for future phases of the inquiry as they already operate effectively in a competitive market and have significant financing reforms in train over the next few years though the *Jobs for Families* subsidy reforms.
3. That future policy development, reports and processes for this Inquiry should note that effective regulation is vital to ensuring adequate minimum standards of quality and access in ECEC services.
4. That future policy development, reports and processes for this Inquiry should note that the variability in cost structures for both universal and non-universal services makes it extremely challenging to apply accurate national benchmarks in relation to cost. This is primarily driven by variabilities within localised markets, the geographic dispersion of users, the distribution of demand among users and different types of users and variability of key cost drivers across Australia such as labour, rent and travel costs.
5. That future policy development, reports and processes for this Inquiry include specific reference to and development of the Principles for Human Services reform identified in the Competition Policy Review Final Report.

3. Submission

Relevant Requests for Information from Issues Paper:

The Commission is seeking participants' views on what constitutes improved human services. Do the concepts of quality, equity, efficiency, responsiveness and accountability cover the most important attributes of human services? If these are the most important attributes, how should they be measured or assessed?

Participants are invited to submit case studies of where policy settings have applied the principles of competition, contestability and user choice to the provision of a specific human service.

Scope for improving outcomes in human services

Goodstart agrees that the objectives for increased competition and user choice in human services are worthy and appropriate in some sectors, however the benefits can only be achieved if policies are well designed and implemented. Australia's experience of using competition policy approaches to deliver human services has had mixed results and has demonstrated that competition and contestability should not be ends in themselves. Given the complexities and variability in the objectives for human services policy, identifying the outcomes that any particular human service or system is trying to achieve then managing procurement, monitoring, evaluation flow and contract adjustments to those outcomes is likely to result in better outcomes in many human service sectors. Governments should exercise caution in considering competition approaches to human services to ensure risks are mitigated and unintended consequences are considered and addressed in implementation policy.

The Goodstart story, outlined in the box below demonstrates how risks associated with a significant failure of the competitive Early Childhood Education and Care (ECEC) market were turned around into a major policy success driven by the commitment and innovation of four of Australia's most trusted not-for-profit organisations; The Benevolent Society, The Brotherhood of St Laurence, Mission Australia and Social Ventures Australia.

Case Study: Implications from competition in ECEC - The Goodstart Story

In 1997, market based financing instruments were introduced to the child care sector. Operational subsidies for not-for-profit centres were removed and all childcare centres could obtain access to government subsidies for childcare. This opened the way for private centres to compete on equal terms and there was significant growth in for-profit centres. *ABC Learning* listed on the stock exchange in 2001.

In late 2008, *ABC Learning* which was then Australia's largest provider of childcare – with around 20% market share, providing care to over 100,000 children and employing around 16,000 staff collapsed going into administration and receivership.

This situation created significant uncertainty for children and families but ultimately led to a once in a generation opportunity to build a new child-focused social enterprise. Inspired by international research showing that 80% of a child's brain development occurs before a child starts school, Evan Thornley and Michael Traill from Social Ventures Australia, along with Toby Hall from Mission Australia, recognised that raising the quality of Australia's child care sector was a potential game changer to improve the future lives and education of Australia's children. As well as understanding

the importance of early learning on a child's development and the impact on that child's future educational achievement, they also recognised the tremendous opportunity to increase women's workforce participation and improve local connectedness.

Through this one enterprise – what was to become Goodstart Early Learning – they saw the enormous potential to increase access to quality and early learning in the child care sector. However, the challenge of making this vision a reality was significant and complex.

They needed organisations committed to the goal, willing to work together, who could define and agree on the social impact and create a legal and commercial structure that was capable of achieving it. Perhaps even more challenging, they needed to raise the funds and win the bid for the collapsed *ABC Learning* business, against the backdrop of intense time pressure.

Four leading not-for-profit organisations were up to the challenge - The Benevolent Society, The Brotherhood of St Laurence, Mission Australia and Social Ventures Australia - came together to make history to form the Goodstart consortium. In December 2009 just over one year later, the Goodstart consortium was announced as the preferred bidder for its offer of \$95 million for 678 centres.

The consortium decided the best way to attract investment was through layered funding, which could accommodate the different risk appetites of investors. Through multiple investors, the consortium managed to secure AU\$95 million in cash to purchase the 678 childcare centres, as well as AU\$70 million to fund the ongoing operations of the new social enterprise.

A unique combination of the community sector, Government and private sector involvement has influenced the shape of Goodstart in its foundation years and into the future, while creating an extraordinary chapter in Australian corporate history.

Over the last five years Goodstart has made several significant contributions to the community, sector and Government that would not have been delivered by a purely commercial operator including:

- Strongly supported the Government's National Quality Agenda reforms recognising the need for minimum standards in ECEC
- Offered enhanced programs and specialised services in 25 centres to support our most vulnerable children
- Prioritised access for children with additional needs by meeting the funding gap between government subsidy and the cost of care for children with disability
- Invested \$15M over five years in early learning and research, including a dedicated team of 38 early learning consultants who support educators with their teaching practices and programing
- Committed resources to meaningfully participate in public policy processes, such as PC Inquiries and national policy reviews.

This innovation, collaboration and improved outcomes would not have been possible without the vision and leadership of the original consortium members: The Benevolent Society, The Brotherhood of St Laurence, Mission Australia and Social Ventures Australia.

Improving outcomes in ECEC - competition, contestability and user choice

Government investment in ECEC meets two objectives, supporting parental workforce participation and supporting children's learning and development. Ensuring children's safety while they are away from their parents and accessing early learning and care is paramount. Ultimately, the current ECEC market is operating efficiently and is generally effectively meeting the multiple needs of children, families and governments. In responding to the Issues Paper, Goodstart provides the following points for the Commission's consideration:

ECEC already operates in a competitive market with a high degree of user choice

Goodstart notes that, within the ECEC context Australia has a high reliance on market provision compared to other OECD nations. Only a few states deliver ECEC as part of the public school system, and then the provision is limited to only the year before formal schooling. The sector is a mixed market (profit, not-for-profit) dominated by small operators with between one and three services with very few large providers operating in more than one state.

Not-for-profit providers, such as Goodstart place a strong emphasis on improving the quality of early learning and care, and reinvest any proceeds they make into quality and inclusion. For many parents, this is an important consideration in their choice of centre. Many private providers also place a strong emphasis on quality in their offer to families. Having a vibrant not-for-profit sector ensures that competition based on quality remains an important element in all markets.

Regulation and transparency is important to ensure quality is adequate

This mixed market does impact quality. There are some very high quality for-profit providers however analysis of the National Quality Standard Assessment and Ratings process shows that on average quality assessments are highest in the sessional preschool sector and lowest in for-profit Long Day Care services, particularly in low-income areas. Nationally consistent minimum quality standards, adequate operational regulation and transparent publicly accessible reporting against the national standards are extremely important features of the ECEC landscape. These ensure a minimum level of quality and also provide robust comparable information for parents making choices about which service best meets their needs.

Costs and demand are extremely variable across the country

As a large national provider of human services currently operating in competitive and contestable markets, we would also note that the variability in individual markets across Australia makes it extremely challenging to apply national benchmarks in relation to cost. Our costs vary significantly from market to market driven primarily by variations in labour, rent, utilities and utilisation. Across the universal ECEC sector, the market drives efficiency within localised areas as service providers compete based on price under similar local market conditions. Within the ECEC sector, the Government's proposed subsidy model under the *Jobs for Families* package which is based on a subsidy paid as a percentage of fees paid up to an hourly fee cap will drive efficiency in localized markets while ensuring affordability objectives are achieved. Goodstart strongly supports this model as the most efficient way to meet policy objectives.

Supporting vulnerable cohorts within universal services comes at a cost

It is also important that financing mechanisms recognise the higher cost of delivering services to cohorts that have more complex needs. When considering vulnerable cohorts or non-universal services, this can be challenging due to the geographic dispersion of users and the distribution of demand among different types of users. Within the ECEC market, these challenges are experienced with services for children with disability and other vulnerable groups.

The existing services system, including the strong not-for-profit sector has decades of experience in balancing competing priorities and tight budgets to ensure the services they deliver are focused on improving outcomes within their local community. These challenges are likely to be experienced by other human service organisations.

Relevant Recommendations

Goodstart recommends that future policy development, reports and processes for this Inquiry note that the not-for-profit and community sector in Australia has a strong history of fostering innovation which has directly led to improved outcomes for children, families and Governments and the ability for the sector to innovate must be maintained.

Goodstart recommends that Early Childhood Education and Care services should be out-of-scope for future phases of the inquiry as they already operate effectively in a competitive market and have significant financing reforms in train over the next few years though the *Jobs for Families* subsidy reforms.

Goodstart recommends that future policy development, reports and processes for this Inquiry should note that effective regulation is vital to ensuring minimum standards of quality and access in ECEC services.

Goodstart recommends future policy development, reports and processes for this Inquiry should note that the variability in cost structures for both universal and non-universal services makes it extremely challenging to apply accurate national benchmarks in relation to cost. This is primarily driven by variabilities within localised markets, the geographic dispersion of users, the distribution of demand among users and different types of users and variability of key cost drivers such as labour, rent and travel costs.

Principles for competition in Human Services

Goodstart also notes that the recent Harper Review and final report for the Competition Policy Review provided a solid set of principles to guide further policy development in applying competition principles to Human Services. Goodstart urges the Commission to embed these principles into the next phase of the inquiry and to draw further on the final report.

It is important that the impact of competition policy on people experiencing poverty and inequality is fully considered as well as the community organisations that support them, including the extent to which competition policy may drive up costs and undermine universal services provision.

Recent experience in Australia and overseas does seem to indicate that it should not be assumed that competition policy will improve social and economic outcomes sought as a nation. Further, challenges associated with implementation mean that policy frameworks and implementation guidelines and processes need to be considered and developed from the outset to avoid implementation risks and unintended consequences, particularly for vulnerable cohorts.

Relevant Recommendations

Goodstart recommends that future policy development and the processes for this Inquiry include specific reference to, and development of, the principles for Human Services reform identified in the Competition Policy Review Final Report.

This concludes Goodstart's submission. We also commend the submissions of our sector colleagues to the Commission, in particular those made by, or supported by, our founding members: The Benevolent Society, The Brotherhood of St Laurence, Mission Australia and Social Ventures Australia.

Behind Goodstart

Goodstart was created by a partnership of organisations who saw the potential of early learning to transform Australia. They wanted to address one of the key sources of many future problems—poor early childhood experiences.

It made perfect sense for these groups to pool their energy and invest in early learning to fix the root cause of so many social problems.

benevolent
SOCIETY

Formed in 1813, The Benevolent Society is Australia's first charity. It is a not-for-profit and non-religious organisation that helps people, families and communities achieve positive change through support and education.

SVA
social ventures australia

Social Ventures Australia is a non-profit organisation established to improve the lives of people in need. It focuses on keys to overcoming disadvantage including great education, sustainable jobs, stable housing and appropriate health, disability and community services.



**Brotherhood
of St. Laurence**
Working for an Australia free of poverty

The Brotherhood is a not-for-profit organisation that works to alleviate and prevent poverty through research, services and advocacy. It is a non-government, community-based organisation that supports people experiencing disadvantage at all stages of life, to build a better future for themselves and their families.

**MISSION
AUSTRALIA**

Mission Australia is a non-denominational Christian community service organisation that aims to reduce homelessness and strengthen communities across Australia. It works to help people secure jobs, receive an education, find housing and develop important life skills.

Goodstart would like to acknowledge the funding and support provided by:

Australian Federal Government
New South Wales Government
Northern Territory Government
Queensland Government
South Australia Government
Tasmania Government
Victoria Government
Western Australia Government

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