Submission to the PC Inquiry

Professor Frances Press, School of Education and Professional Studies/Griffith Institute of Educational Research, Griffith University.

Introduction

I have been an academic and active researcher in the area of early childhood education and care for over twenty-five years, having come to academia from the non-government sector where I worked in agencies that provided professional support to the management committees and staff of child care centres.

I have been a Chief Investigator on four ARC grants concerned with early childhood education[1] and have contributed to a number of reports concerning policy frameworks for ECEC. In 2000, I was the lead researcher and co-author for the *Australian Background Report* for Australia's participation in the OECD Thematic Review of Early Childhood Education and Care Policy.

I have been tracking the impact and performance of for-profit childcare since the extension of parent subsidy to the for-profit sector in the micro-economic reforms of the 1990s. Since that time, there has been a burgeoning of for-profit provision, which has resulted in a dramatic increase of supply. However, serious systemic problems persist - unevenness of supply, lack of accessibility to target groups, and disparities in quality.

Disproportionate reliance on the market for the provision of long day care places has brought these problems to scale. This raises important questions regarding how future investments should be targeted.

The push and pull of policy imperatives

For many governments, including our own, ECEC sits at the intersection of a number of policy imperatives, most usually: outcomes for children (especially educational); parental workforce participation (especially women's); and early intervention for children at risk (Press, 2016).

This is reflected in the Productivity Commission's scope for the Inquiry, which encompasses, among other things:

- developmental and educational outcomes for Australian children, including preparation for school
- economic growth, including through enabling workforce participation, particularly for women, and contributing to productivity
- outcomes for children and families experiencing vulnerability and/or disadvantage, First Nations children and families, and children and families experiencing disability.

---

[1]Skattebol, J., Blaxland, M., Newton BJ., Press, F., Fenech, M; Woodrow, C., SpaII, P., Markham, P. *Engagement in early childhood education in the context of disadvantage*. Australian Research Council (ARC) Linkage Grant (ARC LP180100142)
Exemplary early childhood educators at work: a multi−level investigation. Australian Research Council (ARC) Linkage Grant (LP160100532);
What is life like for babies and toddlers in childcare? Understanding the 'lived experience' of infants through innovative mosaic methodology. Australian Research Council (ARC) Linkage Grant (LP0883913);
Harrison, L., Press, F., Sumsion, J. Bowes, J.M., Fenech, M. (2008−2010). *A multi−modal investigation of current and proposed structures and processed determining and sustaining quality in Australian centre−based child care*. Australian Research Council (ARC) Discovery Grant (DP0881729).

Hence, ECEC is the site of enormous policy potential, but this potential can only be achieved if the system is properly resourced. Resourcing determines accessibility (geographic and financial) and appropriately directed, the achievement of the level of quality that enables the positive outcomes for children and families that are sought.

When resources are limited, what gains ascendancy as the primary objective of provision is subject to the push and pull of these various imperatives, since all cannot be achieved at scale, at once. This tug of war is played out at the site of government policy and associated policy levers, and at the site of provision. Hence, for example, a focus on parental workforce participation can favour government funding that expands the number of places, rather than improve quality. At the level of the site, for for-profit providers, this is can be expressed through financial decisions that maximise returns, rather than increase quality.

Arguably, since the 1990s, an implicit consideration of government policy has been to mitigate the possibility of business failure. This is because approximately half of ECEC is provided by the for-profit sector (Grudnoff, 2022). In 2008, when the then Federal Government quickly intervened to stave off potential damage caused by the collapse of ABC Learning, the pivotal role that ECEC plays in the economy and fabric of Australian life was starkly illustrated.

However, there is an additional policy objective that is not explicated in Australian ECEC policy yet is asserted in the policy contexts of other nations, as well as the Organisation for Economic Cooperation and Development (OECD). That is, ECEC as a site of democracy. A key recommendation of *Starting Strong II* (OECD, 2006) was:

> *To aspire to ECEC systems that support broad learning, participation and democracy.*

And further that

> *the early childhood centre becomes a space where the intrinsic value of each person is recognised, where democratic participation is promoted, as well as respect for our shared environment. Learning to be, learning to do, learning to learn and learning to live together should be considered as critical elements in the journey of each child toward human and social development*. (p.18).

The Swedish preschool curriculum explicitly invokes democracy and states:

> *Every single person working in the preschool should promote respect for the inviolability of human life, individual freedom and integrity, the equal value of all people, equality between women and men, girls and boys, and solidarity between people.*

Such an aspiration may not be measured by school results, or economic impact, but recognises the role ECEC can play as a contributor to a socially cohesive democratic society.

Problems with provision

There are deep systemic problems with the provision of ECEC in Australia: supply is uneven; quality is uneven; universal access is not assured; and it is expensive.

These problems have deep roots. Most fundamentally, Australia has never established a universal platform of infrastructure for ECEC provision. The availability and delivery of 'traditional' (sessional) preschool to children in the year before school has always varied between jurisdictions. The expansion of long day care during the 1980s relied on the involvement of the federal government and was initially driven through the not-for-profit sector and distributed through a planning process. However, in the face of demand continuing to outstrip supply, parent subsidies were extended to the for-profit sector in the 1990s. This move was designed to address ongoing shortages by stimulating the market. Supply rapidly increased, but unevenly, as the same planning conditions did not apply. In the decades since, the for-profit sector has become the dominant provider, and the not for-profit sector has shrunk. This decline in not for-profit provision is continuing and is deeply problematic.

A declining non-profit sector

The share of long day care centres that are not-for-profit has declined from 32% in 2014 to 25% in 2022. In that time, only 79 new non-profit centres have opened compared to 1,897 privately owned centres. Sadly, this has been accompanied by a loss of centres run by state and local government.

	2014 Q1		**2015 Q1**	**2016 Q1**	**2017 Q1**	**2018 Q1**	**2019 Q1**	**2020 Q1**	**2021 Q1**	**2022 Q1**		**Gain**
Non Govt Schools	123	*1.9%*	131	149	161	181	188	207	224	233	*2.7%*	110
Private for profit	3901	*60.4%*	4099	4263	4506	4771	5038	5340	5584	5798	*68.1%*	1897
NFP	2052	*31.8%*	2067	2071	2069	2078	2084	2112	2124	2131	*25.0%*	79
State & Local Govt	378	*5.9%*	372	376	375	379	358	351	345	346	*4.1%*	-32
Total	6454		6669	6859	7111	7409	7679	8011	8278	8508		2054

(Source: ACECQA NQS Snapshot)

Why is this a problem?

This is problematic because, overall, not for-profits consistently outperform the for-profit sector on the key objectives sought by government investment: quality (which supports good outcomes for children); and accessibility (geographic, financial, inclusive).

Not for profit services are more likely of be of higher quality

Overall quality ratings for for-profit providers are lower than the overall rating for not for -profit providers. Conversely, not for-profit providers are more likely to meet or exceed the National Quality Standards.

Long day care centre quality ratings by provider management type

	Working Towards NQS	Meeting NQS	Exceeding NQS	Meeting NQS or above
Private for profit	15%	66%	19%	85%
Private not for profit community managed	10%	51%	39%	90%
State/Territory and Local Government managed	8%	55%	37%	92%
Private not for profit other organisations	5%	63%	31%	95%
Total	13%	62%	25%	87%

Source: ACECQA NQS Snapshot Q1 2022

According to analysis undertaken by Grudnoff (2022) the overall quality rating of for-profit centres is 12 per cent lower than not for-profits. What is even more worrying is that for-profits are more likely to be represented in enforcement actions.

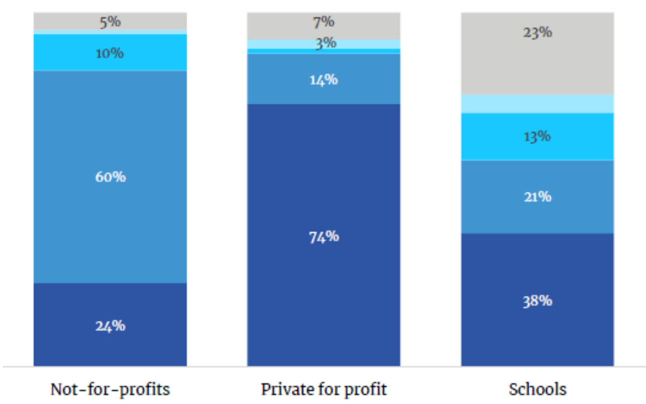
Marketing for the for-profit sector often espouses a child centred, high quality public image, but this is not backed up by the quality rating. This is a finding borne out by a smaller scale study of marketing claims by private providers against their quality ratings. While many for-providers claimed to be providing high quality, excellent care and education for children, very few of these claims were mirrored by the ratings (Press and Woodrow, 2018)

The lower quality of for-profit providers overall is replicated in studies undertaken in the United Kingdom (Simon, Penn, Shah, et al., 2021).

Not for profit providers invest more in their staff

The staff of early childhood programs are key to the quality of provision. In the *Exemplary Early Childhood Educators at Work* study, we found that staff were enabled to provide high quality care and education through the investment of their centres, for example, in strategic professional development (including upgrading qualifications), above award wages, above required staff to child ratios, and the structured provision of programming and planning time. Stability of staffing and low staff turnover was, in turn, a characteristic of these centres (Gibson, Press, Harrison et al. in press)

Chart 32: Payment relative to the award, by service provider type



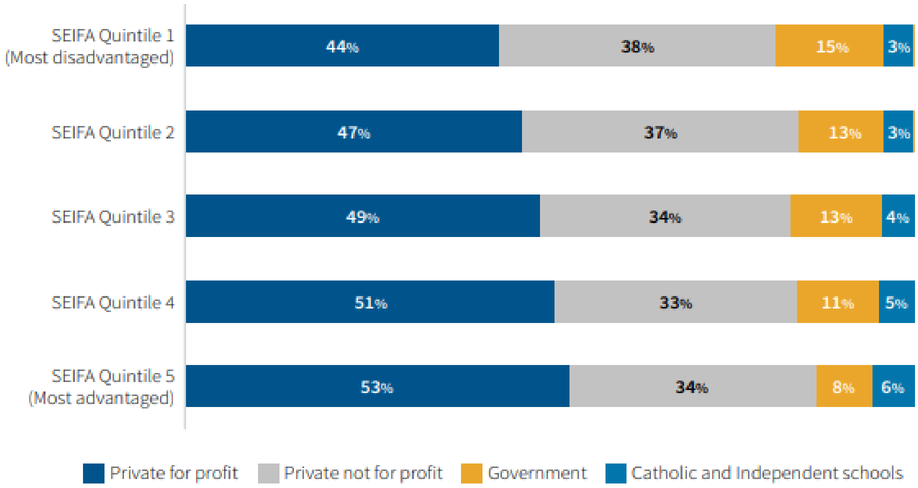
Other studies have shown that not for profit services are more likely to pay above award (76% compared to 26% in for-profit services) (Deloitte, 2023). Almost all of the 183 Enterprise Agreements in Children's Services registered by the Fair Work Commission in the last five years were for not for-profit providers, offering rates of pay higher than the award rates which typically apply in the private sector. Analysis of annual reports show that larger NFP providers spend 67-76% of their revenue on employee costs, compared to 58% for the private sector as a whole (Richardson, 2022). In 2019, 41% of community services operated at staffing ratios above NQS requirements (Warrilow & Graham, 2019).

Not for profit services are significantly more likely to address areas of need

- **Places for children aged birth to 2 years:** The Productivity Commission (2015) found that 20% of for-profit providers did not provide places children under two years of age, compared with just 10% of not-for-profit providers. Providing places for 0-2 children incurs a higher cost due to higher staffing ratios.

- **Not for profit services are more likely to be located in low SEIFA communities:**

Percentage of approved services by provider management type & SEIFA quintile



Source: ACECQA Occasional Paper no 7 Quality ratings by SEIFA 2020 p. 14

- **Not for-profit providers are more likely to invest directly to support children with additional needs**

In 2019, 87% of not for-profit ECEC providers reported they had children in their services who were in vulnerable circumstances (Warrilow & Graham, 2019). In 2021, Goodstart – the largest not-for-profit provider, allocated $16 million to support social inclusion activities. 12% of children in its centres have multiple risk factors. The number of children eligible for ACCS Child Wellbeing (who are overwhelmingly in receipt of child protection services) almost doubled between 2019 and 2021 (C&K 2021; Goodstart, 2021; KU 2021).

KU Children's Services, the second largest not-for-profit provider, allocated $2.3 million to support social inclusion activities, and assisted 679 children with additional needs and 231 Aboriginal and Torres Strait Islander children in its services (KU 2021). C&K, the nation's third largest not-for-profit provider, assisted 627 children with additional needs in 2020, investing $1 million of its own funding to supplement Government funding. C&K also partnered in a pilot to support 92 children from a refugee or asylum seeker background (C&K 2020).

Is a for-profit business model compatible with the achievement of policy objectives concerned with positive outcomes for children and families?

Clearly the data shows that overall, the for-profit sector underperforms in relation to the quality of provision and in reaching those children, families and communities that policy often wants to target for the provision of extra support. However, some for-profit providers do match the performance of the not for profit sector. What is that makes a difference? More research is needed in this area, however, an initial indication is that the motivation may be a key factor. In the *exemplary early childhood educators at work* study, which included a small number of for-profit services, the philosophy underpinning service delivery played an important role. While all providers had their own unique vision or philosophy for their service, a common factor was that these encapsulated a clear commitment to children, often had a social justice orientation, and implementation was informed by pedagogical knowledge. Providers were genuinely motivated to serve their community and families, and / or provide a particular kind of experience for children and directed resources in accordance with this commitment.

However, when the primary motivation is to run a profitable business, or to make a profit from business, the same results are more difficult to achieve, or may not even feature as a key consideration. A study undertaken in the UK, found that some for-profit models adopted a form of ownership that was highly leveraged by borrowings and debt, with a focus of short-term financial returns such as “the creation of improved financial valuation of an investment, such that it can then be sold on to the highest bidder” (Simon et al. 2021).

An additional point to note, which is worthy of further investigation in the Australian context, was that while these companies borrowed for acquisitions, this did not result in a growth of places as they were acquiring existing services. The paper cautioned that a number of these companies “were seriously in debt to their investors” with “low to no financial reserves, placing them at risk of collapse.” (Simon et al. 2021)

An opportunity to build on strengths

The lack of universally accessible, high quality, ECEC infrastructure is a major weakness in the Australian system. However, there are a number of strengths that can be built upon.

The national early childhood reforms of 2009, were a significant step toward building a unified system, and bringing all services under the remit of the Australian Children’s Education and Care Quality Authority (ACECQA). ACECQA plays an important contribution to raising the bar on quality. It is important to maintain its emphasis on building on early childhood professional expertise.

There are examples of excellent practice in Australian centres around curriculum in areas such as inclusion, working with diversity, honouring first nations’ people, children’s rights, and sustainability (including bush kindies). These achievements are built upon early childhood professional expertise and a commitment to children. Arguably, these examples are reflective of an understanding of ECEC as a site of democracy, as espoused by the OECD (2006). From my experience in looking at curriculum internationally, these are particular strengths which reflect our national context, and are not sufficiently celebrated. We should be considering ways to honour and share these practices and bring them to scale.

New investment, or a reconfiguration of existing investment, must support the expansion of the not for-profit sector. Additionally, more research is needed on what makes a difference in the for-profit sector. Given the diversity of for-profit management models, it would be useful to investigate whether some models are more conducive to the delivery of high-quality provision. Further, given the financial precarity indicated by the UK study (Penn, et a. 2021), a similar investigation is needed in Australia.

References:

C&K Annual Report 2020

Deloitte (2023). *Mapping long day care and nongovernment preschool provision in South Australia*. Royal Commission into Early Learning

Goodstart Annual Report, 2022

IBIS Child Care Services in Australia Q8710 Feb 2022 p.46

KU Children's Services Annual Report 2021

Lpfö 18 (2019). *Curriculum for the Preschool*

Press, F. & Woodrow, C. (2009) The giant in the playground: investigating the reach and implications of the corporatisation of child care provision. In Meagher, G. & King, D. (Eds). *Paid Care in Australia: Politics, Profits, Practices.* Sydney University Press.

Press, F. (2016) Policy Imperative in Early Childhood Education and Care. *Encyclopedia of Educational Philosophy and Theory*. doi:10.1007/978−981−287−532−7 249−1

Press, F., & Woodrow, C. (2018). Marketisation, elite education and internationalisation in Australian early childhood education and care. In C. Maxwell, U. Deppe, H-H. Kruger, & W. Helsper (Eds.), *Elite education and internationalisation: From the early years to higher education* (1st ed., pp. 139-159). Springer. https://doi.org/10.1007/978-3-319-59966-3_9

Gibson, M., Press, F., Harrison, L.J., Wong, S., Cumming, T., Ryan, S., Crisp, K., Richardson, S., Gibbs, L., Cooke, M. & Brown, J. (2023). *Shining a light on early childhood educators' work. A report from the Australian study Exemplary Early Childhood Educators at Work: A multi-level investigation.* Queensland University of Technology.

Grudnoff, M. (2022). *The Economic Benefits of High-Quality Universal Early Child Education.* The Australia Institute.

Productivity Commission (2014). *Childcare and Early Childhood Learning, Inquiry Report No. 73,* Canberra.

Richardson, A. (February, 2022). *Child Care Services in Australia*, IBIS Q8710.

Simon A, Penn H, Shah A, Owen C, Lloyd E, Hollingworth K, Quy K (2021.) *Acquisitions, Mergers and Debt: the new language of childcare* – Main Report. London: UCL Social Research Institute, University College London.

Warrilow, P., & Graham, N. (2019). Not-For-Profit Education and Care: High quality, accessible and resilient