

Submission following Productivity Commission Draft Report

Kay Doyle – 5 September 2014

1. Quality

- I have worked in the Early Childhood Education and Care (ECEC) industry for 45 years, as a Centre owner and director, a teacher, and a consultant. I believe that the only proper perspective from which to implement reform is to begin from the needs of the children. There are other important considerations, including workforce participation for parents, efficiency of government support, and employment within the sector, but all of these should be subordinate to the best interests of the children. ECEC spending is an investment in Australia's future – as Economics Nobel Laureate James Heckman has argued – and spending in the sector should not be seen as primarily about workforce participation.
- Unfortunately, this is the only perspective that appears important to the Federal Government. Assistant Minister for Education Sussan Ley gave a speech titled "Child Care and Workforce Participation" to the University of Melbourne at the end of April.¹ That speech referred to education mostly in the context of opportunities for parents to increase their skills, and preferring the term "care" for children. Wages were only mentioned in the parental context. The conclusion read: "As a working mother, I understand the critical role that child care plays in parents' work participation decisions and I am excited by this opportunity. I look forward to setting out a pathway towards a thriving child care and early learning sector that empowers all parents to choose their level of workforce participation, supported by a contemporary child care system that enables accessibility, affordability and flexibility for modern Australian families." There is no indication of quality or the needs of children as a priority in this perspective, and the Commission's Terms of Reference similarly prioritise workforce participation.
- It follows from such a perspective that the years spent improving and establishing standards which fed into the development of the National Quality Framework (NQF) were wasted as high quality education is not a national priority. Winding back the NQF may seem economically efficient as a cost-cutting measure but it undermines the purpose of the ECEC sector. The NQF needs to be refined, but not dismantled. Educator-to-child ratios need to reflect best practice, as the NQF is implementing, and solving educator shortages by lowering standards and increasing ratios is akin to solving a shortage of doctors by allowing unqualified people to practice medicine.
- The NQF has been presented by government as causing massive increase in administrative burden. Quoting the same Sussan Ley speech, the "NQF has driven up administrative costs – to the tune of, on average \$140,000 per year for a long day care centre with 75 places and 15 educators". This is cited to an ACECQA report² but a careful reading of Part 2 shows that around \$120,000 (or 87%) of those "administrative costs" are actually classed as "ongoing documenting and learning assessments" under "educational programs." In other words, these costs are associated with record-keeping that tracks learning and development, preparing portfolios on each child's progress, and implementing individualised programs tailored for each

¹ Available from her website at <http://sussanley.com/child-care-and-workforce-participation/>

² "ACECQA Research Report on the NQF and Regulatory Burden" available from <http://www.scseec.edu.au/site/DefaultSite/filesystem/documents/Reports%20and%20publications/Publications/ACECQA%20Research%20Report%20on%20the%20NQF%20and%20Regulatory%20Burden%20-%20Combined.pdf>

child. In NSW, these are a licensing requirement and not due to the NQF – the report is based on QLD and VIC data – but in any case such record keeping is a routine part of an early childhood trained teacher’s responsibilities. These costs are not administrative, nor are they new for any service delivering high quality education.

- The principal concern of parents when considering ECEC is the quality of the environment for their children, and so weakening the NQF to lower costs (by allowing higher ratios and reducing educator qualifications) will not find favour with most parents. The Parenthood, an organisation representing the needs of parents and families, recently completed an Australia-wide survey and more than 90% of respondents opposed higher ratios, reduced educator qualifications, and lowering quality. These results demonstrate that parents do not want a dirt cheap child-minding service, they want their children to learn through play, to socialise, to extend their skills through their interests, and to enjoy their childhood while building towards formal education in schools.
- Educators’ wages need to be higher to attract qualified people back into the sector and to incentivise existing educators to increase their skills. The training programmes in universities also need to be refined as necessary child and classroom management skills are lacking. Macquarie University has abandoned its specialised early childhood education programme, reverting to including the early childhood sector in the primary education programme. This is a serious backwards step that reflects the reduced demand for early childhood-trained teacher (ECT) training which in turn reflects the poor wage levels. Professional wages are necessary for the ECEC sector, and as a matter of urgency, and the Commission needs to consider the potential impact of a wage ruling from the ongoing Fair Work Australia case. The Commission’s final report will be considerably more valuable if it canvasses in detail the sector consequences of the foreseeable wage ruling. Wages are one of the two greatest costs for ECEC services (rent being the other) and the professional wages educators deserve will have affordability consequences for families. Educators deserve to be paid as the professionals they are, and I do not believe that the market can sustain the fees that such wages would produce without intervention.
- Appropriately qualified educators are essential to quality ECEC, which is different from school-based learning and requires specialist training. Certificate III training provides an introduction to Centre-based learning and produces educators who are able to work under guidance. Diploma training builds on this, imparting a more substantial understanding of child development, fostering confidence and allowing educators to tailor activities to individual needs and to support group learning. Early-childhood trained teachers have the skills of leadership for rooms and Centres, being able to direct learning on a large scale, to deal with difficulties as they arise from their expertise in child development, and to ensure a team of educators are moving together in collaboration with families in the best interests of the children. A high quality Centre needs ECTs to build from observations to planned activities and to assist Diploma staff to work with individuals within the established programme, who are in turn assisted by educators at the Certificate III level.
- An argument that is sometimes advanced is that tertiary-trained educators are not needed for teaching before children enter the formal school system. This argument is typically predicated on one of several premises, such as: that the complexity of the material about which children are learning (such as simple counting) is within the skill-set of virtually all adults; that caring is about compassion and common sense and does not require specialised qualifications; and that children will learn and develop on their own. None of these withstands scrutiny. Education is a

process and the skills educators employ are aimed at fostering and supporting the process, not dictating the outcome. Any adult may be able to draw, but few will be able to recognise whether a child is developmentally ready to move between a palmer and tripod grip, or will know how to break down the task of using scissors into the separate gross and fine motor skills required. Is the child struggling to hold the scissors... to apply the grip to squeeze the handles... to make straight 'snips'... to control the paper with the other hand... to change the cutting directions? Many of the learning tasks of childhood are so engrained and routine to adults that they have become automatic and the individual skills being exercised have long been merged into a coherent task. Looking back to my original submission, I included examples of developmental records where monitoring of progress on these sorts of individual tasks was included. This is not unskilled work, it requires training and experience which is exactly why qualifications are mandated for the ECEC sector.

- So, are university-level qualifications essential for all educators? The ECEC sector already recognises that it is not necessary for every educator to be a degree-qualified teacher, but the leadership and involvement of these specialists is necessary at every stage of the process. Stimulating environments where children enjoy playing and following their interests whilst progressing deliberately through developmental goals and stages are not formed by accident. A well-run ECEC service will have children for whom learning is fun and they engage almost automatically, but such smooth operations are based on extensive planning based in knowledge of the individuals and their progress and challenges. Poorly qualified and inexperienced educator teams rarely manage to establish such situations. The mix of ECTs and Diploma- and Certificate III-trained educators required at present already recognises that uniform degree-level qualifications are not necessary, as do the ratios which take into account the differing caring needs of children at different ages. Degree-qualified teachers lead all formal education and the ECEC sector is not (and should not be) any different.
- Qualification and educator-to-child ratios were not new under the NQF, they were licensing requirements that were absorbed into the new framework. Ratios averaged over the week allows times when there are insufficient educators for safety and supervision, let alone effective education. These requirements are being strengthened over time under the NQF and rightly so, building towards world's best practice. This should not be undermined or slowed.

2. "Carers" for children under 3

- The draft report implies that, except for children from disadvantaged backgrounds, children under 36 months require only care and not education.
- This perspective is inconsistent with brain development research which demonstrates the rapid and substantial development which occurs in these years. Brain research has re-evaluated the first year of life dramatically in recent times, with a shift towards examination of the neurocognitive system.³ Findings have reported how infants use observational experience to build understanding, which can guide educators in facilitating the sense-making process.⁴ The

³ Mullaly, S. L.; Maguire, E. A. (2014). Learning to remember: The early ontogeny of episodic memory. *Developmental Cognitive Neuroscience*, **9**, 12 – 20. DOI: 10.1016/j.dcn.2013.12.006.

⁴ Hunnius, S.; Bekkering, H. (2014). What are you doing? How active and observational experience shape infants' action understanding. *Philosophical Transactions of the Royal Society B – Biological Sciences*, **369**(1644). DOI: 10.1098/rstb.2013.0490.

processes of infants beginning word learning⁵ and understanding symbols⁶ are also being understood, illustrating learning at a young age and the complexity which educators are best placed to support. Such support can come through direct interactions with children, but also in assisting new parents handling unfamiliar issues. The importance of greater inclusion of neuroscience in educational design has been argued, including for infants.⁷ It is worth noting that the literature referenced herein was published between April and July, 2014, so the body of research continues to grow quite rapidly.

- In a recent publication in *Nature Neuroscience*, a very high impact international journal, Sigman *et al.*⁷ wrote that “early detection of cognitive deficits, especially in preverbal infants” being an example of the synergistic interaction of neuroscience in education. Trained educators are commonly the first to notice less severe cognitive deficits and play a key role in facilitating early intervention. Such interventions not only help the children but also have a demonstrative economic benefit in reducing the need for most expensive and less effective delayed interventions. It was also noted that neuroscience research has “broadened our understanding of the mind in a way that is highly relevant to educational practice” including in relation to “brain architectures that shape the way we acquire language and reading,” and it is difficult to see why ECTs should be applying research to improve the education of children only once they reach three years of age.
- Play-based learning occurs in stimulating environments which are best when deliberately designed and modified in response to expressed interests. These modifications are made with awareness of developmental goals and aims to foster abilities in cognitive, physical, social, emotional, and communication / language areas. Illustrations of this were included in my original submission to the Commission.
- Transition to school does not occur in isolation and suddenly commence a year before school, it is the extension and completion of an educative process that began at birth and which is fostered most effectively with both parental and formal ECEC learning environments.
- The report also recommends the removal of Diploma-qualified educators, which is a huge step backwards. Play-based learning may look like care to an outsider, but in fact is conducted in environments established with specific developmental goals in mind. Only trained educators can recognise learning deficits as they first emerge and are uniquely placed to intervene early. Given the amount of brain development which occurs in the first three years, to waste this time with simple child-minding care is a disservice to children. Learning in ECEC occurs in a hierarchical framework with ECT leaders at the top and staff members studying for a Certificate III qualification as apprentices at the bottom, and this is an effective model. It should not be dismantled.
- Parents looking to return to the workforce will have as their highest priority the best interests of their children, which means an enriching and safe environment and not merely a child-minding facility. Workforce participation as a lens for examining the ECEC sector is limited in that parents’ goals are obscured, as are the children’s needs.

⁵ Smith, L. B.; Suanda, S. H.; Yu, C. (2014). The unrealized promise of infant statistical word-referent learning. *Trends in Cognitive Sciences*, **18**(5), 251 – 258. DOI: 10.1016/j.tics.2014.02.007.

⁶ Uttal, D. H.; Yuan, L. (2014). Using symbols: Developmental perspectives. *Cognitive Science*, **5**(3), 295 – 304. DOI: 10.1002/wcs.1280.

⁷ Sigman, M.; Pena, M.; Goldin, A. P.; Ribeiro, S. (2014). Neuroscience and education: Prime time to build the bridge. *Nature Neuroscience*, **17**(4), 497 – 502. DOI: 10.1038/nn.3672.

3. Payment and Subsidy System

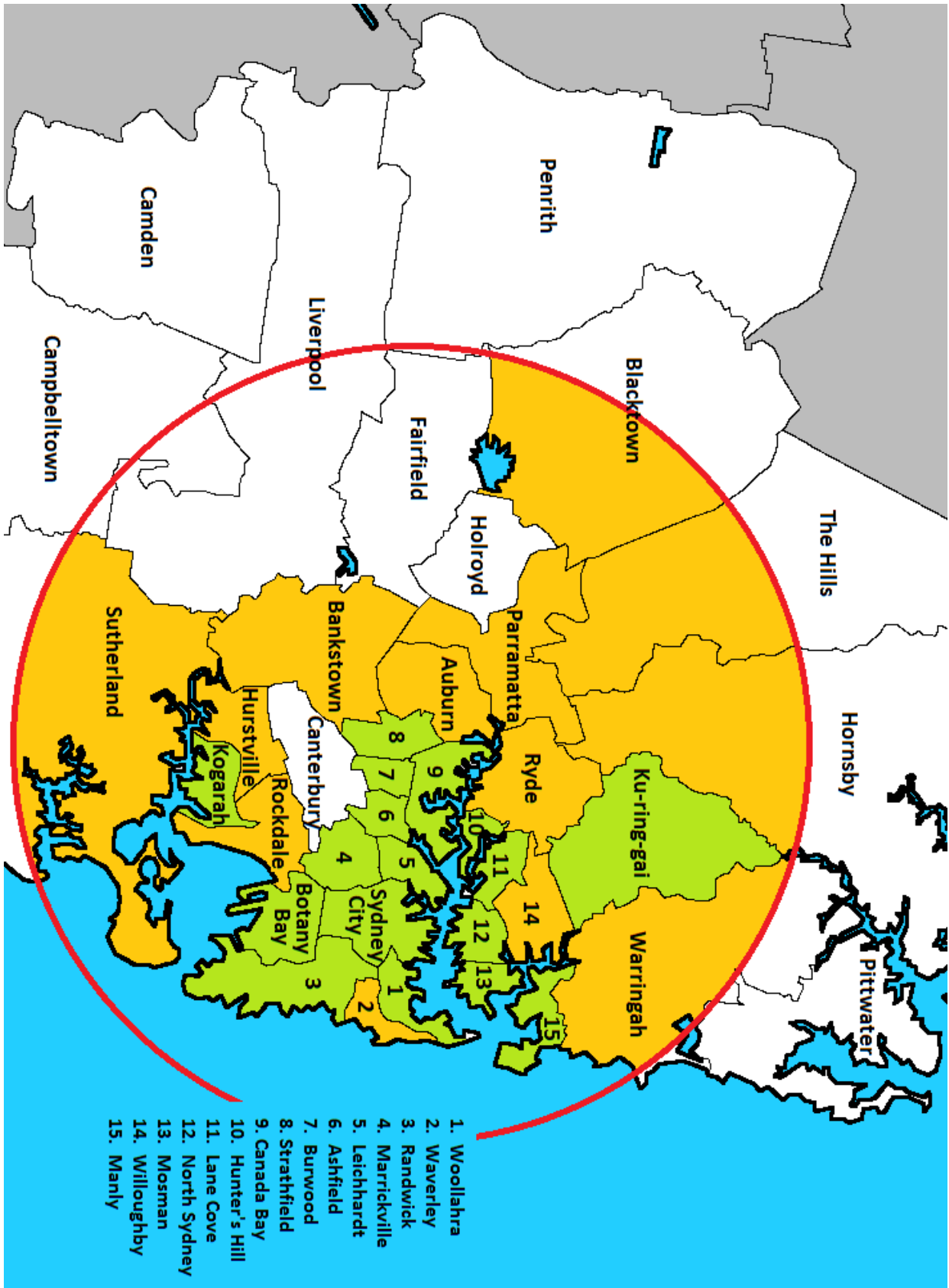
- Streamlining of subsidies is an excellent innovation, the Commission is correct that the complexity of the present system is an administrative burden.
- “Reasonable cost of care” is an appropriate basis for setting a benchmark, as is a loading for disadvantaged / at risk cases, but the \$7.53 per hour rate is unrealistic in Sydney.
- An analysis of the average fee rates reported on the MyChild website for 773 ECEC services in Sydney (located within 25 km of Strathfield) has been conducted. This region is shown on the map in Attachment 1. 81% of nursery services in the sample have fees above the benchmark rate.⁸ The average rates were:
 - 529 (68.4%) centres offer 0 – 1 services, charging an average of \$9.22 per hour
 - 709 (91.7%) centres offer 2 – 3 services, charging an average of \$8.35 per hour
 - 750 (97.0%) centres offer 4 – 5 services, charging an average of \$8.04 per hour
 - Distribution (Attachment 2) of charges by hour shows wide variation
- Looking at the data by local government area (LGA), only five LGAs have a majority of nurseries with an hourly rate below \$7.53. Seventeen LGAs (Ashfield, Botany Bay, Burwood, Canada Bay, Hunter's Hill, Kogarah, Ku-ring-gai, Lane Cove, Leichhardt, Manly, Marickville, Mosman, North Sydney, Randwick, Strathfield, Sydney City, and Woollahra) have no Centres with a nursery service at or below this benchmark rate. In Attachment 1, the LGAs shaded green are the seventeen regions with all nursery services above the benchmark rate, and the ones shaded orange have a majority of nursery services above this charge. The five LGAs with a majority of services below the benchmark are Campbelltown, Canterbury, Fairfield, Holroyd, and Liverpool, and are shown in white.
- Attachment 3 shows the average rates for nursery services, 2 – 3, and 4 – 5 age groups in each LGA, along with ACECQA quality ratings. From the distribution of hourly rates, the map, and the tabulated data, it is clear that large areas of Sydney will not have access to services below the benchmark rate. The ECLS proposed by the Commission bases percentages paid on this benchmark and with the much higher charges in Sydney, it is clear that the rebates (in percentage terms) will be much lower than headline figures.
- Variations between LGAs are unrelated to quality. Looking at the average charges and quality levels by LGA – see table – the differences are clearly geographic and thus likely related to rent (along with wages, the top two expenses of a service). The correlations between proportion of centres working towards national standards (as determined by ACECQA) and hourly rate are weak.
- The two greatest expenses are wages and rent. Taking my two ECEC services as examples and converting these costs into hourly figures:
 - Centre 1 – wages cost \$86.66 + rent cost \$23.33 = \$109.99. The fees in this centre are \$114, \$118, and \$124 per day.
 - Centre 2 – wages cost \$76.79 + rent cost \$16.66 = \$93.45 The fees in this centre are \$96, \$108, and \$115 per day

⁸ The details of this study will be submitted to the Productivity Commission by Dr Justin Read shortly.

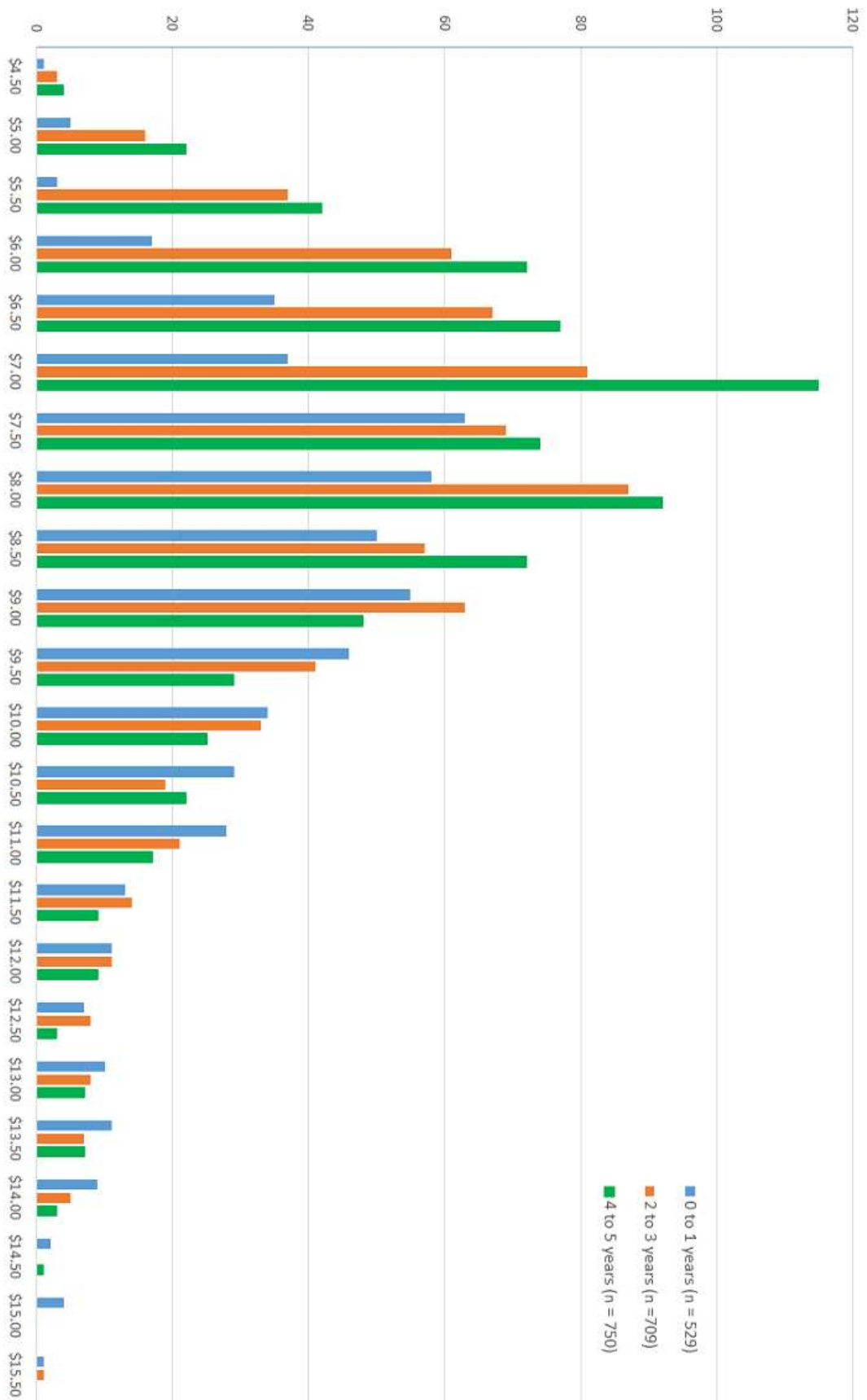
- Centre 1 operates 10.5 hours per day, Centre 2 operates 11 hours per day. The Commission's proposed ECLS 90-30 linear model is shown in Attachment 4, along with the actual percentages applying to each Centre's nursery and 4–5 rooms.
 - At the Commission's benchmark rate, this model would provide a rebate of 90% for families with combined incomes below \$60,000, falling to 30% for incomes over \$300,000
 - In Centre 1, families with combined incomes below \$60,000 will receive a rebate of 57.4% in the nursery, reducing to 19.1% at \$300,000. For the children aged 4–5, the rates will be 62.4% and 20.8%, respectively.
 - In Centre 2, families with combined incomes below \$60,000 will receive a rebate of 64.8% in the nursery, reducing to 21.6% at \$300,000. For the children aged 4–5, the rates will be 77.7% and 25.9%, respectively.
 - The model ECLS has the income level at which rebates fall below 50% set at \$220,000, but using the real hourly rate data for my Centres, 50% is reached between \$106,000 and \$131,000 for Centre 1 and \$142,000 to \$188,000 for Centre 2.
- The situation is even more severe using the less-generous 90-30 kinked model.
 - At the benchmark rate under this model alternative, rebates fall below 50% for combined family incomes below \$130,000.
 - In reality, at Centre 1 this will occur between \$80,000 and \$91,000 and at Centre 2 between \$96,000 and \$116,000.
- At present, the Child Care Rebate (CCR) system provides 50% coverage (capped) for family incomes of \$150,000 so the new system contemplates a substantial reduction in the income level at which parents cover more than half the daily cost. The proposed ECLS is uncapped and so would reduce the problem of CCR running out but the generosity of the new system is far overstated by including a benchmark hourly rate which is far below the actual hourly costs in Sydney.
- Councils provide rent subsidies in numerous areas of Sydney, and also run services themselves. Subsidised centres pay either no rent or a low rent. Lane Cove Council operates a Centre which pays no rent and supports a not-for-profit service with an 80% rent subsidy, while rents of \$2.50 per child per day are charged in the Hornsby LGA for services operating in council premises. Some centres also run at a loss – for example, Fairfield Council subsidises its Centres to the tune of \$1 million per annum. Employer-supported services are also receiving financial subsidy. All of these cases will lead to lower fees and lower averages in the analysis, distorting the data away from the realistic costs for unsubsidised businesses. It is important to note that no correction has been made for such distortions in the data presented herein. The assumption is also made that fee information on the MyChild website is up-to-date, which is likely to be untrue in some cases. Both of these factors make the average data likely to be underestimates of the true situation.
- Wages costs should not be reduced by cutting staff nor reducing qualifications levels as this would reduce quality. In fact, I believe that wage rates need to be increased to professional levels to attract more educators into the sector. The Commission agrees that wage levels are low, and so the potential effect of a Fair Work Australia order needs careful consideration in the final report.

- Land values in much of Sydney are high, leading to high rents, often of the order of several hundred thousand dollars. With the exception of cases with rent subsidies, this is an unavoidable cost.
- The low benchmark rate will create parent aggravation when they discover that advertised subsidy percentages are illusory. Centres will waste much time repeatedly explaining why out-of-pocket fees are higher than expected. Even within a fixed funding envelope, a higher benchmark with more realistic percentages would be more accurate and preferable from the perspective of operators. Alternatively, a Sydney subsidy would be appropriate if sector costs and fees are much lower in other cities.
- Ideally, any fee support should be paid direct to parents so that Centres are not involved in the administration of the programme. If this is not possible, fee support should go to Centres who provide attendance data to a government agency who then calculate fee levels (as with the present CCB system). The administrative burden of services calculating rebates is unreasonable.
- Changing to an hourly funding model creates market distortions as parents are charged by the day rather than by the hour. For example, two Centres in the same area and with the same daily fee will attract different subsidies depending on the number of hours for which they operate. Centres operating longer hours will be cheaper for parents so long as their child does not attend five days per week (in which case the 50 hour limit alters the situation). In the sample, 44% of Centres operate for 11 or more hours per day, and only 8.2% operate fewer than 10 hours, so the 50 hour limit is restrictive for the overwhelming majority of five day per week attendees.

Attachment 1 – LGAs in Sample Area



Attachment 2 – Distribution of hourly rates from 773 Centres in Sydney



Attachment 3 – LGA Summary of 773 Centres

Local Government Area	Number of Centres	Average Hourly Rate			Quality Rating (ACECQA)		
		0 to 1	2 to 3	4 to 5	W	M	E
Ashfield	14	\$9.81	\$8.80	\$8.34	70.0%	0.0%	30.0%
Auburn	11	\$6.86	\$6.44	\$6.50	55.6%	33.3%	11.1%
Bankstown	46	\$8.09	\$6.91	\$6.81	55.6%	22.2%	22.2%
Blacktown	49	\$7.97	\$7.08	\$6.80	57.9%	36.8%	5.3%
Botany Bay	9	\$9.26	\$8.05	\$7.57	42.9%	57.1%	0.0%
Burwood	7	\$8.58	\$8.12	\$8.07	60.0%	20.0%	20.0%
Campbelltown	9	\$6.62	\$6.05	\$5.99	60.0%	20.0%	20.0%
Canada Bay	19	\$9.38	\$8.95	\$8.68	38.5%	46.2%	15.4%
Canterbury	30	\$7.13	\$6.86	\$6.71	63.2%	26.3%	10.5%
Fairfield	35	\$7.08	\$6.73	\$6.61	36.8%	21.1%	42.1%
Holroyd	16	\$7.63	\$7.40	\$7.24	58.3%	25.0%	16.7%
Hornsby	41	\$9.19	\$8.29	\$7.88	29.2%	29.2%	41.7%
Hunter's Hill	1	\$10.00	\$10.00	\$9.36	0.0%	0.0%	100.0%
Hurstville	22	\$8.23	\$7.64	\$7.48	60.0%	40.0%	0.0%
Kogarah	10	\$8.45	\$7.87	\$7.76	57.1%	28.6%	14.3%
Ku-ring-gai	18	\$11.30	\$10.35	\$10.15	33.3%	44.4%	22.2%
Lane Cove	9	\$10.81	\$10.32	\$9.63	40.0%	40.0%	20.0%
Leichhardt	13	\$11.02	\$10.14	\$9.79	50.0%	25.0%	25.0%
Liverpool	44	\$7.16	\$6.45	\$6.48	45.5%	36.4%	18.2%
Manly	10	\$12.22	\$11.04	\$9.95	33.3%	33.3%	33.3%
Marrickville	8	\$10.71	\$9.54	\$9.15	25.0%	50.0%	25.0%
Mosman	7	\$12.43	\$11.49	\$10.95	25.0%	50.0%	25.0%
North Sydney	23	\$11.91	\$10.92	\$10.37	23.1%	30.8%	46.2%
Parramatta	44	\$7.88	\$7.14	\$6.84	50.0%	30.8%	19.2%
Randwick	23	\$9.93	\$9.29	\$8.72	62.5%	25.0%	12.5%
Rockdale	16	\$7.72	\$7.28	\$7.07	41.7%	25.0%	33.3%
Ryde	32	\$9.60	\$8.77	\$8.51	22.7%	45.5%	31.8%
Strathfield	2	\$9.91	\$9.68	\$9.18	0.0%	50.0%	50.0%
Sutherland	41	\$8.54	\$7.84	\$7.68	56.0%	16.0%	28.0%
Sydney City	54	\$11.25	\$10.73	\$10.36	56.3%	6.3%	37.5%
The Hills	40	\$8.69	\$8.21	\$7.72	40.0%	40.0%	20.0%
Warringah	35	\$10.09	\$9.04	\$8.36	31.8%	54.5%	13.6%
Waverley	18	\$12.54	\$11.20	\$10.73	58.3%	16.7%	25.0%
Willoughby	11	\$10.13	\$9.49	\$9.18	0.0%	75.0%	25.0%
Woollahra	6	\$13.16	\$11.56	\$11.56	50.0%	50.0%	0.0%

Attachment 4 - Percentage of fees covered under proposed ECLS (linear model)

