



IPART Review of Early Childhood Education and Care in NSW

CELA Response to the Issues Paper

Contents

Introduction.....	3
Summary.....	3
Access to education and care services	4
Inclusivity & Discrimination	5
Choice	6
Affordability of services	8
Supply of services	9
Provider costs and revenue in delivering services.....	10

Introduction

About Community Early Learning Australia

Community Early Learning Australia™ (CELA) is the voice for Australia’s early education and care sector. As a peak body, our vision is for all of Australia’s children to have access to quality early education, regardless of economic circumstance or where they live.

CELA supports over 1,800 members employing more than 27,000 educators and teachers nationally. Our members include community-managed not-for-profit, government, and privately owned small providers, delivering preschool, long day care, outside school hours care, and family day care services.

Our Mission is to:

- Deliver effective and expert support for our members, enabling them to deliver quality early education and care for all Australia’s children.
- Influence policy makers and government by amplifying the voices of community based and small providers.
- Promote the value and importance of community-based early education.

Summary

CELA welcomes this important and timely inquiry into the NSW early education and care sector. Improving accessibility, affordability and consumer choice is critical to ensuring every child gets the best start in life and every family can work the hours that they choose..

Accessibility, affordability, and consumer choice in our current ECEC sector is primarily influenced by the historical funding structures shared between state and federal governments.

Most of the funding for the ECEC sector is through the federal government funded Child Care Subsidy (CCS). When originally introduced, the CCS was designed as a welfare payment to families to support workforce participation as well as to encourage rapid sector growth to meet emerging demand¹. As a demand driven funding model focused on parent costs, other vital considerations including contributing to improved education and development outcomes for Australia’s children, were not part of the primary policy design.

At the time of introduction, there were also clearer distinctions between the roles of state and federal governments in this space. Funding for children from 0-4 was seen as ‘care’, supporting families to return to work, while state funded preschool was clearly defined as ‘education’.

However recent decades have debunked these outdated distinctions between ‘care’ and ‘education’, and the ages at which these occur. Evidence clearly shows that the first five years are the most critical for a child’s learning and development². It has also shown the significant value of investing in quality education and care

¹ Brennan, D and Oloban, M, Child Care in Australia A market failure and spectacular public policy disaster; <https://policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2009/04/Child%20Care%20in%20Australia.pdf> pg 120

² OECD, 2018. Early Learning Matters. <https://www.oecd.org/education/school/Early-Learning-Matters-Project-Brochure.pdf>, pg 6.

from birth to five for improved child outcomes and reduced poverty and social inequality. However our shared funding models have not kept up with this understanding, and hold back the full benefits of investment in early childhood education and care. Instead, we have a system plagued with increasing out of pocket costs, variation in accessibility, especially in regional areas, and lack of choice for families and children.

While we note that the scope of this enquiry is focused on the role and responsibilities of the NSW Government, we recognise that this is occurring concurrently to several Federal Government inquiries including the National Early Years Strategy, the ACCC Childcare Inquiry and the Productivity Commission inquiry into Early Childhood Education and Care. These extensive and concurrent reviews present an opportunity for state and federal governments to consider how shared funding models can be reset to better reflect modern understanding of the vital role and benefits of early education and care.

We have an opportunity to reimagine an ECEC system, that recognises all learning starts from birth, and which truly holds the needs of Australia's children at its heart and as its fundamental starting point.

By meeting children's needs first, the needs of the family are also met and can be supported more efficiently. By recognising the value of education and care to children as the first objective of funding for all ages, and increased workforce participation as a dual benefit, we can more clearly target state and federal government investment to maximise social and economic benefits.

Access to education and care services

The expansion of federal government funded Child Care Subsidies (CCS) since the early 2000s has supported rapid growth in ECEC services across the country. However, this expansion has not been balanced or targeted to areas of community need.

The removal of federal community operational funding has seen the viability of small community led services diminish, and limited capital support to establish new services has seen this part of the sector decline by 8%.

In contrast, the for-profit sector has seen rapid growth, now representing over 80% of all ECEC services and growing by over 30% since 2015.³

The CCS system creates an incentive for services to set up and operate in areas where there are maximum returns on investment. This means most services operate in areas of high population and family income. In NSW 75% of services operate in metropolitan areas⁴. In contrast, many rural, remote, and low socio-economic areas have been identified as 'childcare deserts', where there are more than 3 children per early education and care place⁵. Funding arrangements which only rely on family's ability to pay high fees, has meant that children who would benefit from ECEC the most, have the most difficulty accessing services.

The clash between federal and state funding is most apparent when children reach preschool age. Affordable preschool is welcome, but can result in confusion for parents wanting to benefit from reduced out of pocket

³ https://www.acecqa.gov.au/nqf/snapshots_2013-2022

⁴NSW Department of Education, Early Childhood Sector Survey Results. https://education.nsw.gov.au/content/dam/main-education/early-childhood-education/whats-happening-in-the-early-childhood-education-sector/media/data/ECE_COVID_survey_results.pdf pg 1

⁵ <https://www.vu.edu.au/mitchell-institute/early-learning/childcare-deserts-oases-how-accessible-is-childcare-in-australia>

costs, while balancing their work hours. While current stand-alone preschools meet the needs of many families, for others, not being able to access education and care that matches their work hours is a barrier to access. Supporting more long day care services to provide high quality funded pre-school programs as well as educating parents about options for preschool program provision, can help to provide greater choice to meet the needs of children and families.

For some families, standard models of early education and care are not able to meet their needs. This can be for many reasons including remote locations and the hours and nature of their work. High quality regulated In-Home Care programs are an effective way to bridge this gap. Continued support for high-quality in-home care programs is an ideal solution, where there is a demonstrated need that standard models of care are not available or not suitable.

CELA believes every child, no matter where they live, or how much their parents earn, should have access to the benefits of quality early childhood education and care. The current split between state and federal funding models means there is no universal access for children until they start preschool. This means that thousands of children who would benefit the most from access to high quality education and care are missing out. They are starting further behind, and staying behind as they enter school.

CELA proposes that the NSW government's commitment to universal affordable preschool for four-year-olds, be extended to cover the needs of children from three years old. Such an authentic commitment would significantly contribute to bridging this gap. Extending this entitlement through federal funding for universal 30 hours across a week of early childhood education and care for all other ages, would establish a truly connected, age-appropriate early learning pathway for all children⁶.

Recommendations:

1. Extend the NSW funded preschool program to include all three-year-olds. Work with the Federal government to develop a system of universal access to ECEC for all age groups including the right of child to access 30 hours free ECEC from birth through all stages of school.
2. Engage in a clear communication campaign to educate parents on the benefits, cost savings and quality of free preschool in LDC settings.

Inclusivity & Discrimination

The reliance of the ECEC system on the CCS has created a disincentive for services to support the access of vulnerable children and those with high needs. Current state and federal inclusion funding does not cover the full cost of providing high quality education and care to children with additional needs. This results in a cost gap which must be borne by the service, usually by passing on the additional costs to parents via fees. This creates a competitive disadvantage for services who accept children with additional needs and results in many children and families finding it difficult to access the hours of care they need.

⁶ Further details about our recommendation on 30 hours universal early childhood education is provided in our Productivity Commission submission. Attached and available here: <https://www.pc.gov.au/inquiries/current/childhood/submissions>

Inclusion payments are also paid after the enrolment of the child. This means there is often no financial support for services to maintain higher staff ratios or specialist qualified staff on a permanent basis. This creates further delays for the child, as recruitment needs to occur, as well as a lack of job security for the staff.

Block funding models can more readily incorporate equity components based on a child's disability, demographics and location and should be available for children at all ages, not in the year before school.

Recommendations:

3. Work collaboratively with the federal government to reset existing ECEC funding models to deliver a simpler, more coordinated system, including base operational funding to support viability, inclusivity and quality outcomes.
4. Coordinate with the federal government to review existing inclusion support payments to simplify access and ensure combined funding is sufficient to cover all costs.

Choice

For many communities there is the choice of one provider only, for many others there is no provider at all. In Australia today, families should have access to the type of service that meets their needs, is consistently high quality, and reflects their values.

However, when it comes to choice of service management type, the options continue to shrink.

Almost all growth in ECEC services has been in the for-profit sector. Since 2015 the for-profit sector has grown by over 30% while the community not-for-profit sector has declined by 8%. Over the past decade, the sector has also seen a shift in the proportion of the market operated by large providers, from 31% of the market to 35% since 2016. The for-profit sector now represents 68% of the long day care sector, 48% of the Outside School Hours Care sector and 51% of the overall ECEC market⁷.

This growth, at the expense of the community run not-for profit sector, comes at a cost for families, children and the government. Families are experiencing less choice of service when seeking care for their children. Children are, on average, less likely to be enrolled in a high-quality service, and governments receive less return on investment because subsidies are funding profit as well as programming⁸.

Research has shown that our not-for-profit community-run services consistently receive higher quality ratings than the for-profit sector. This does not indicate that all for-profit services are not high quality nor that all not-for-profit services are. However it indicates that management type is a significant indicator of quality⁹. Latest ACECQA data shows that 38% of not-for profit services are rated as exceeding the NQS compared to 19% of for-profit services. The largest proportion of excellent rated services are also from the not-for-profit sector, with all of the OSHC services rated as excellent being governed and operated by not-for-profit providers.

⁷ <https://snapshots.acecqa.gov.au/Snapshot/stateofthesector.html>

⁸ Grundoff, M, *The Economic Benefits of High Quality Early Childhood Education*, The Australia Institute, March 2022
https://australiainstitute.org.au/wpcontent/uploads/2022/04/Economic_Aspects_of_ECEC_in_Australia_FINAL.pdf pg: 30

⁹ <https://childcarecanada.org/sites/default/files/OP31-A-bad-bargain-for-us-all.pdf> pg: 12

At the other end of the spectrum, for-profit services also represented over three quarters of enforcement actions taken since 2015.

Families also need to be confident that the services they are choosing are consistently meeting high quality standards. Since the implementation of the National Quality Standard (NQS) overall quality across Australian ECEC services has improved. However, there are still significant numbers of services which are struggling to achieve minimum standards, and workforce shortages are leading to increased numbers of staffing waivers.

The most recent ACECQA data shows that 557 services across NSW are not meeting the National Quality Standards, with three services rated as 'Significant Improvement Required.'¹⁰

Across the country it has been shown that state regulatory authorities have not been able to meet the assessment schedule originally set out when the NQS was established in 2018. Where the original goal was that all services would be assessed at least every three years, hundreds of services across Australia hold ratings that are older than this¹¹.

With such a delay, and considering the average educator length of service in a centre is 3.6 years' service (in the long day care setting), it is possible that an entire generation of management and staff could change, between rating cycles. While services which are not meeting standards are regularly assessed, there are large proportions of the sector being missed, with no transparency as to whether standards are improving.

While the NQS is intended as a guide to parents, to help them to select high quality services, long periods between assessments can undermine confidence in the system. State governments need to be fully funded to ensure they have the capacity as the regulator to meet the original aims of the National Quality Standards.

Recommendations:

5. That Local, State and Federal governments coordinate to monitor E&C service provision and ensure services are delivered in line with demand and community needs.
6. That models to provide capital funding to support the establishment of new community led services are investigated, especially in areas of community demand.
7. That programs are developed in conjunction with State and Local governments to provide governance, business, and management support to communities to establish and maintain community led services.
8. That funding to State Governments to deliver assessment and rating programs is sufficient to meet the original goals as set out by the NQS.

¹⁰ ACECQA, NQF Snapshot Q1, 2023. <https://www.acecqa.gov.au/sites/default/files/2023-05/NQF%20Snapshot%20Q1%202023%20FINAL.PDF> May 2023 Pg: 15

¹¹ <https://www.theage.com.au/national/victoria/ratings-system-monitoring-childcare-quality-falling-short-20220421-p5aezx.html>

Affordability of services

Switching to a child focused ECEC policy, reframes the question of affordability for families. Where ECEC services are simply viewed by policy makers and the community as a basic 'care' service meant to support the workplace participation of families, there is an ongoing pressure to reduce operational costs and therefore fees to families.

However when we are focused on ECEC through the frame of its benefits to children first, there is a need to balance affordability with ensuring quality educational and developmental outcomes for children.

Understanding the ECEC sector as part of a lifelong learning continuum, and a pathway to the school system, also reshapes the personal and societal value we place on early childhood education and care.

Under current policy, in NSW children from the age of four will be able access up to 30 hours of universal affordable preschool, mirroring the existing 30 hours of universal primary and secondary schooling. However knowing from evidence based research, that learning begins from birth and the special importance of the first five years of development, it raises the question why this entitlement is not available for all children.

The federal government is currently investigating the possibility of introducing a universal 90% subsidy for families accessing ECEC through the Productivity Commission. However, demand side subsidies on their own do not support equity, access or quality and are simply not targeted enough to prevent inflationary fees. In our submission to the Productivity Commission Inquiry into Early Education and Care, CELA has recommended that the federal government instead develop a universal access model providing 30 hours or three days of free high quality early education and care to all children.

Coordinating with the federal government to deliver 30 hours free universal education and care will support the NSW government's policy to deliver 30 hours of universal preschool in the year before school. Extending this program to three-year-olds will also extend the cost reduction to parents and be in line with other states which have implemented, or are considering implementing, universal 3-year-old state funded programs. It will also allow for the establishment of a consistent block / operational funding component for services across state and federally funded programs.

Recommendations:

9. Extend free universal preschool to all 3-year-olds, including working with federal government to ultimately deliver a vision of free 30 hours early education and care across all age groups from birth to school age.
10. Invest in a communications program to support family education on the value of early education and care and what contributes to a quality service.

Supply of services

Recent research revealing the extent of ‘Child Care Deserts’ is incredibly concerning¹². For truly universal access to quality early learning, addressing the supply in rural, remote and low socio-economic areas is critical. It is vital that monitoring of the supply of services is integrated into State and Federal government processes to support the ongoing planned provision of ECEC services.

While generally, the definition provided in the Mitchell Institute’s report of ‘three children to every available place’, is a good starting point for consideration of local supply, additional nuances must be considered.

Generally, children do not utilise a service for every day of the week, so this rating should be measured daily to reflect actual utilisation. Additionally, the existence of ‘places’ does not include consideration of whether those places are within a service of suitable quality. Families should not be forced to accept places where they are only available within a service which is not meeting minimum quality standards.

Supply issues are particularly acute in rural, regional, remote and disadvantaged communities. This is primarily due to lack of provider incentive to open in areas of low population and limited capacity to pay fees.

CELA member services report that for a service to be viable and profitable they need to have a consistent enrolment of around 80-100 places¹³. For areas with lower populations, this can mean it is simply not viable for a service to operate without additional funding.

In many of these areas there is often existing community support and willingness to establish new not-for-profit community led services. However, accessing the relevant capital needed to establish or convert infrastructure to deliver a service, is very difficult. Federal, state and local governments could coordinate with local communities to identify opportunities for new or existing infrastructure which can be utilised to provide community led services in these areas of greatest need.

Supply of early childhood education and care places in regional and remote communities has also been doubly problematic because of national workforce shortages. While services across the country are reporting the need to reduce enrolled places temporarily or permanently because of insufficient staff¹⁴, this is even more likely to be the case in regional and remote communities.

Rural and regional communities often need to offer higher than average wages and conditions to attract staff to their location. There can also be significant relocation and accommodation costs. In addition to these issues, many regions which have been recently impacted by natural disasters are left with reduced housing availability, therefore accessing rental accommodation can be a barrier to attracting staff.

Addressing low wages and poor conditions across the ECEC sector is urgent and necessary to address the ongoing workforce shortages and ensure services can operate at their maximum capacity. In addition to considering means to raise wages across the sector through new industrial relations laws, the National Children’s Education and Care Workforce Strategy must be implemented in full.

Recommendations:

¹² <https://www.vu.edu.au/mitchell-institute/early-learning/childcare-deserts-oases-how-accessible-is-childcare-in-australia>

¹³ CELA member consultation.

¹⁴ <https://9now.nine.com.au/today/childcare-centre-crisis-39-closed-in-one-day-due-to-staff-shortages/e52852e7-ab5c-4b4c-975a-5645b887ad2f>

11. That Local, State and Federal governments coordinate to monitor ECEC service provision and ensure services are delivered in line with demand and community needs.
12. That definitions for identifying need and access to places, include availability of places in services that meet minimum quality standards.
13. That models to provide capital funding to support the establishment of new community led services, are investigated, especially in areas of community demand.
14. That programs are developed in conjunction with State and Local governments to provide governance, business, and management support to communities to help establish and maintain community led services.
15. That the NSW government enacts all relevant recommendations of the Children’s Education and Care National Workforce Strategy in a timely manner.
16. That the NSW government investigates options for directly improving wages and conditions across state funded programs, including utilising new industrial relations laws under the supported bargaining stream.

Provider costs and revenue in delivering services

Staffing represents one of the largest costs for ECEC services, ranging from 50-80% of total operational costs. There is currently a workforce crisis in the ECEC sector. Job vacancies for educators are at record highs and low pay and high workload is driving educators to leave the sector¹⁵. However, services cannot offer higher wages and conditions because the current CCS funding model means those costs will be directly passed onto families.

The reliance of the ECEC sector on CCS funding has acted as a direct suppression of wages. The CCS also cannot be targeted. Any improvement to subsidy rates or fee caps to encourage the payment of higher wages will apply to services whether they pay improved rates or not.

There are multiple examples of direct, conditional wage subsidies as examples of how government funding can be used to ensure improved wages and conditions. For example, the Victorian Government provides a higher rate of per capita funding to kindergartens who are a signatory to the Victorian Early Childhood Teacher and Educator Agreement, a multiple employer agreement which covers most stand-alone kindergartens in the state¹⁶. Similarly in New Zealand, services receive a higher rate of supplementary funding relative to educator

¹⁵ United Workers Union. 2021, Exhausted, undervalued and leaving: the crisis in early education | VOCEDplus, the international tertiary education and research database

¹⁶ <https://www.education.gov.au/child-care-package/preschool/preschool-reform-funding-agreement>

and teacher bargained wage outcomes¹⁷. The new ‘Supported Bargaining Stream’ established out of the federal “Secure Jobs, Better Pay” legislation, provides a new framework where early childhood providers, unions and governments can establish new sector-wide workplace agreements to underpin such arrangements.

Services in regional areas also face additional costs. To attract staff to regional areas they often are required to offer significant packages which may include relocation allowances and housing costs. CELA is currently working with a regional service where recent natural emergencies have reduced housing stock, increasing rents and reducing capacity to recruit necessary qualified staff. Services with these higher costs often operate in communities which have limited capacity to pay the higher fees required. As a result, they are often reliant on additional funding in order to remain operational and cover revenue gaps.

Block funding models provided to services across all age groups would allow for more targeted and efficient funding support. Including loadings to cover variations in costs due to geography and workforce costs would prevent these additional costs being passed onto parents.

The National Quality Standards (NQS) were established to ensure children and families were able to access safe and high quality ECEC services. Since the implementation of the NQS overall quality across ECEC services has improved greatly. Quality is also a key consideration for parents when choosing a service. Data from 313 parent surveys commissioned by long day care services using eQIPd's parent survey service between 2015-2022 show that service quality is one of the top reasons parents choose a service after proximity to home. The cost of attending or fees, was ranked last¹⁸.

It is critical to maintain the NQS as the driver for guaranteeing all children and families can access a high quality ECEC service that meets their needs. The ECEC sector has continually supported the NQS. This is most recently endorsed through the National Children’s Education and Care Workforce Strategy (2022-2031) that includes the objective to maintain the NQS with a focus on improving consistency, supporting quality and reducing complexity¹⁹.

The current CCS funding structure means that any costs incurred from improvements to quality, including workforce initiatives, are passed on to parents via fees. This can result in variations in fees that can correlate to the quality rating of a service. For example, higher rated services may have higher average fees than equivalent services who have not made the same investments and have lower quality ratings.

To ensure the true costs of delivering a high-quality service are reflected, the development of benchmarked prices in the NSW ECEC market must take into account these cost variables, including geographic location and quality ratings. Not including such cost factors could result in services that are providing high quality services in areas of need, being misrepresented to parents as not providing value for money. As the objective is to support families to make informed choices, all factors of cost and quality must be considered.

Recommendations

¹⁷ Cleveland, G, February 2023. New Zealand “free early childhood education” <https://childcarepolicy.net/new-zealands-funding-system-for-early-childhood-education-and-care-services>

¹⁸ Dunn, F, 2023 https://www.linkedin.com/posts/felicity-dunn-3859014_accq-quality-earlychildhoodeducation-activity-7066950067412238336-7AGd?utm_source=share&utm_medium=member_desktop accessed 24/05/2023.

¹⁹ ACECQA, Sept 2021: Shaping our future: a ten year strategy to ensure high quality children’s education and care workforce 2022-2031. <https://www.acecqa.gov.au/sites/default/files/2021-10/ShapingOurFutureChildrensEducationandCareNationalWorkforceStrategy-September2021.pdf>

17. Continue to support and advocate for the National Quality Standards as the driver of continuous quality improvement across the ECEC sector.
18. Ensure that benchmark prices take into account quality ratings as a factor in average costs. Set benchmark pricing considering the fees of services who are meeting or exceeding the NQS.
19. Ensure benchmark prices take into account additional reasonable costs associated with geographic location, workforce costs (local market wages) and equity objectives.
20. Ensure any block / per capita funding for NSW funded programs reflects genuine costs of operation and provides loadings to support high quality and workforce costs.