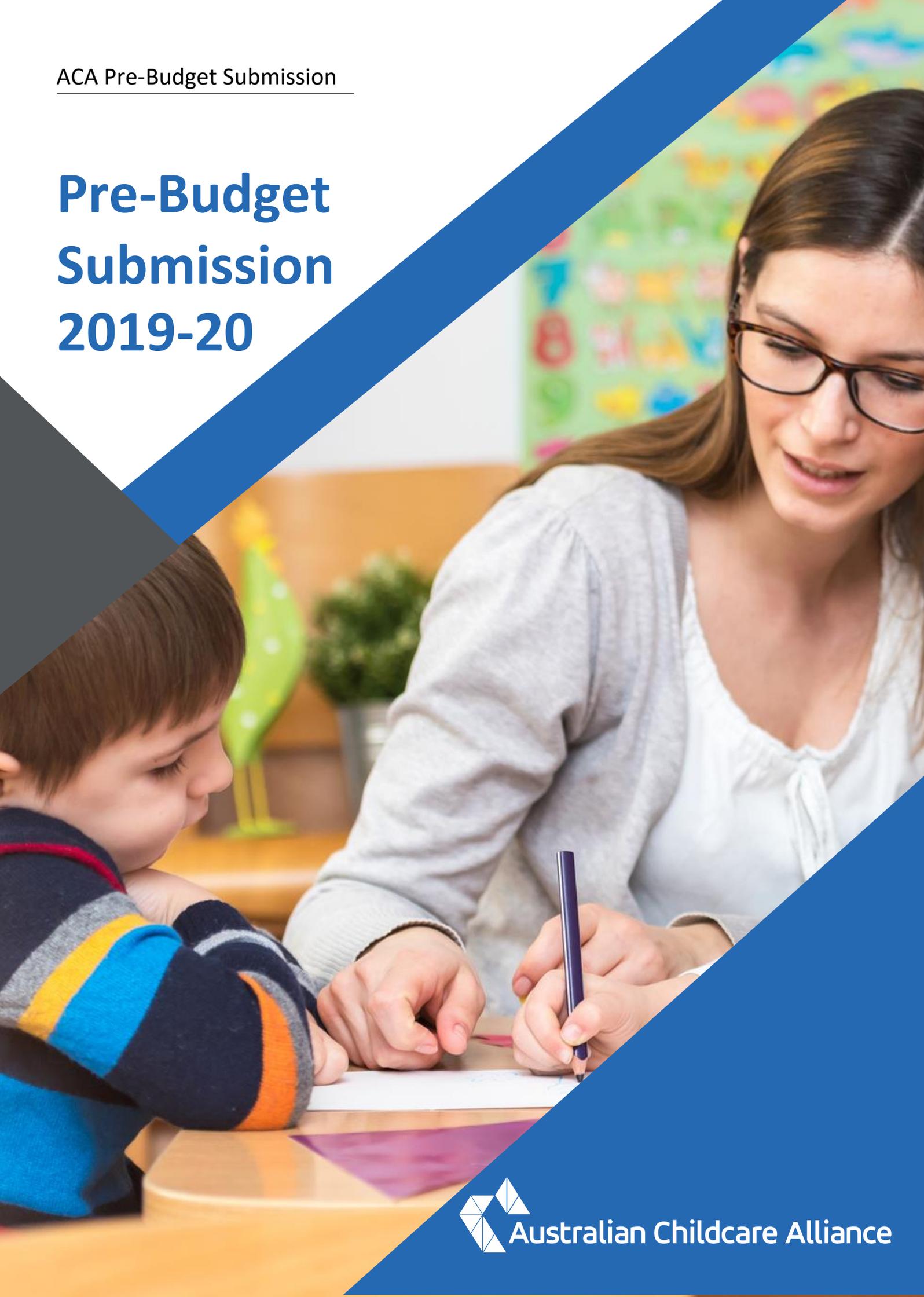


ACA Pre-Budget Submission

Pre-Budget Submission 2019-20



Australian Childcare Alliance

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Introduction

This submission was put together in response to the Federal Treasury's call for submissions from individuals, businesses and community groups seeking their views regarding priorities for the 2019-20 budget.

As the national peak body in the Australian Early Childhood Education and Care sector, the Australian Childcare Alliance (ACA) represents more than 2,500 members and approximately 360,000 families throughout Australia.

We work on behalf of long day care service owners and operators, predominantly private, as a reputable source of evidence-based advice to policy makers and a trusted source of practical guidance to service operators.

Our vision is a future where **every child in Australia has** access to high quality, affordable and sustainable early learning services.

The benefits of high quality Early Childhood Education and Care are now well recognised and acknowledged locally and globally across the education sector. There is an abundance of evidence from studies in Australia and internationally, demonstrating the significant advantages children gain from attending quality ECEC services, which in turn flows on to their family and the wider community.

Children who enjoy quality early learning are likely to be well socialised, confident, inquisitive about the world, accepting of diversity, resilient to manage challenges and also to be life-long learners.

The latest data provided by the Department of Education and Training¹ indicates that for the March quarter 2018, there were over **1.287 million children** across over **887,000 families** using approved child care in Australia with approximately 721,610 (**56%**) in **long day care**, reflecting the continued demand for early learning services.

From the service provider perspective, in the same quarter there were over **18,699** approved child care services operating across Australia, of which **7,463 (39%)** were **long day care** services.

According to the 2016 National Early Childhood Education and Care Workforce Census Report², the number of workers employed in the sector grew from 153,155 in 2013 to 194,994 in 2016.

Long day care services employed over half the ECEC workforce (**55.7%**), followed by family day care services (16.7%), outside school hours care (14.1%) and vacation care services (12.1%).

¹ Early Childhood and Child Care in Summary March quarter 2018, <https://docs.education.gov.au/node/51806>

² 2016 National Early Childhood Education and Care Workforce Census Report - <https://www.education.gov.au/2016-early-childhood-education-and-care-national-workforce-census>

In terms of future growth and the effect on the workforce, the most recent planning data³ indicates that there are currently over 1,300 planning applications for new privately operated long day care services in Australia.

At a national average service size of 90 places and 25 educators per service, this represents over **25,000 new educators** required to be trained to service these new centres before the end of 2018, when it is reasonable to expect these services to be operating. Of this number, a minimum of 1,000 would have to be university-qualified Early Childhood Teachers. This number would at least double to 2,000 when the regulations change on 1 January 2020.

In terms of growth from a supply and demand perspective, a recent report which ACA commissioned in partnership with Early Learning and Care Council of Australia (ELACCA) and Australian Community Children's Services (ACCS) reveals that the net increase in long day care centres in 2017 was roughly **2-3 times** the estimated number of new centres needed per annum to meet future demand.

ACA is deeply concerned that if the same growth is to be continued in the coming years, there is likely to be an enormous impact on quality, an increase in government spending and viability issues for all services.

Whilst there are still some locations where demand outstrips supply, it is important for decision makers to be able to identify these few areas and understand how these communities can be better supported to supply the needs in that space, whether metropolitan or rural.

ACA is extremely proud of the ECEC sector and we have worked tirelessly in collaboration with other peak bodies to ensure that the education and care that takes place each and every day, informed by the Early Years Learning Framework (EYLF) and the National Quality Framework (NQF), is appropriately recognised.

As the sector continues to grow in size, its benefit to young children as well as to future prospects of the Australian economy are increasingly being recognised, both by government and the general community.

The critical issues and recommendations identified in the following report are presented in the context of the priorities for the 2019-20 budget.

ACA believes that with the right policy and financial frameworks in place, Australia could be a world leader in the delivery of high quality ECEC within 10 years, and that there are four key levers to achieving this outcome: quality, affordability, accessibility and sustainability.

ACA welcomes the opportunity to contribute to the Federal Treasury's budget considerations for the 2019-20 financial year, in the context of ensuring that **every child in Australia has** access to high quality, affordable and sustainable early learning services, and therefore the **best start in life**.

Paul Mondo
President

³ According to data sourced from Cordell Connect.

Critical Issues and Recommendations

Two years before school: A better future with earlier participation

Rationale

There is an abundance of evidence from studies in Australia and internationally, demonstrating that two years of kindergarten/preschool have more impact than one, regardless of socio-economic status.⁴

Key findings from Australian and international research include:

- Two years of kindergarten/preschool is beneficial for many children
- Children experiencing vulnerability or disadvantage benefit the most
- The quality of programs matters as low and medium quality programs do not achieve short or long-term impacts
- Kindergarten/preschool improves cognitive, social and emotional outcomes

In terms of pedagogy, play-based experiential learning (“learning through play”) is the key to the best learning outcomes for young children. Best practice academic research from Australia and around the world demonstrates that high quality early childhood education programs, where the emphasis is on play-based experiential learning in an age appropriate environment with no timetables or restrictions, brings about the best outcomes for children.

“The empirical evidence is that children who have a longer period of play-based early childhood education that goes on to age six or seven, finish up with a whole range of clear advantages in the long term. Academically they do better and they experience more emotional wellbeing.”⁵

The Early Years Learning Framework (EYLF) is built on the the principles of early childhood pedagogy⁶.

Long day care offers the **ideal learning environment** for children in their two years before school, and should therefore be recognised and funded by the Federal Government as the **key provider** of three year old preschool/kindergarten programs across Australia:

- The infrastructure **already exists**; long day care facilities are already well established and with 93% of long day care centres reporting they have vacancies⁷, they have the capacity to meet the needs of families immediately with minimal further investment, thereby allowing governments to redirect capital works grant funding toward increasing subsidies for all preschool/kindergarten programs so as to ensure quality while increasing early learning affordability.

⁴ *Two years of preschool have more impact than one*, research shows. Mitchell Institute - <http://www.mitchellinstitute.org.au/opinion/two-years-of-preschool-have-more-impact-than-one-research-shows/>

⁵ Professor Whitebread, D - Sydney Morning Herald (26 January 2014)

⁶ DEEWR, 2009, pp. 12-13

⁷ *Federal Department of Education Early Childhood and Child Care in Summary Report 2018*

- **Long day care** is better set up both physically and professionally to deliver an early education program for the 0-5 age cohort, with age-appropriate, individually appropriate and culturally appropriate physical early learning environments which include bathing, nappy changing and sleeping facilities.
- **Long day care** services are delivered under the same curriculum framework as government and other standalone preschools – the National Quality Framework and the Early Learning Years Framework.
- **Long day care** offers appropriately trained educators both from the nurturing and education aspect, with Diploma and Certificate III trained educators and at least one Early Childhood Teacher (many centres have more). From 2020 many long day care centres will require two Early Childhood Teachers or 'suitably qualified' staff.

Co-locating early childhood education programs in the same environment as the schooling system **puts the needs of the children aged 0-5 years last** in these environments by limiting and decreasing the quality of play-based education and care.

Unless **long day care** is recognised and funded as the **key provider** of three year old preschool/kindergarten programs across Australia, families with children in the 0-3 year old age group will **struggle to access affordable early learning services**. The flow on effect will be **long term viability issues** for the long day sector, with fewer families using their services.

The Federal Government Child Care Subsidy rate that has just been implemented will no longer support affordable access for those children and their families, and the hourly rate will need to be increased to reflect the changing cost structure.

Current situation

Australia is one of only three OECD countries to see a decline in pre-primary enrolment at age three since 2005. Australia's current ECEC system works to disadvantage already vulnerable groups of children, who stand to benefit the most from high quality early learning that can break the cycle of disadvantage.⁸

The majority (over 60%) of children attending early learning programs two years before school do so in a centre-based long day care setting.⁹

No federal funding currently exists specifically to support kindergarten/preschool programs for this age group.

⁸ Pascoe, S and Brennan, D 2018, *Lifting our game: Report of the review to achieve educational excellence in Australian schools through early childhood interventions*, p 13, <https://education.nsw.gov.au/earlychildhood-education/whats-happening-in-the-early-childhoodeducation-sector/lifting-our-game-report>

⁹ *Report on Government Services 2018*, PART B, CHAPTER 3, Early childhood education and care <https://www.pc.gov.au/research/ongoing/report-on-government-services/2018/child-care-education-and-training/early-childhood-education-and-care>

Recommendations

That the Federal Government provides:

- *Additional funding that supports the **long day care** sector in delivering kindergarten/preschool programs for three year olds, taking advantage of age-appropriate environments and pedagogy that are already established, therefore reducing the need for significant capital investment by government.*
- *The exemption of all families from the Child Care Subsidy (CCS) activity test for 18 hours per week in their two years before school.*
- *An increased CCS rate for low income families from 85% to 95% in the two years before school to ensure increased participation for vulnerable and disadvantaged families.*
- *Linking this funding to a program led by an Early Childhood Teacher as defined by ACECQA guidelines under the existing National Quality Framework (NQF) requirements and taking into consideration changes under the NQF commencing in 2020.*

Integrated kindergarten/preschool programs in the year before school

Rationale

The benefits of high quality kindergarten/preschool programs are now well recognised and acknowledged locally and globally¹⁰.

There are currently over 10,000 early learning services delivering kindergarten/preschool programs across Australia, with **over 60% (over 6,800 services)** of these programs being delivered by long day care centres¹¹.

Australia's **long day care** sector offers the **ideal balance** of age-appropriate early learning environments and appropriately trained staff to provide high quality Early Childhood Education and Care to Australia's young children. It also offers families flexible hours of care, which is crucial for working families.

With 93% of long day care centres reporting vacancies¹², there is already existing infrastructure with ample capacity to support an increased number of children enrolling in kindergarten/preschool programs in the year before school.

ACA supports the right for **all children** to have access to quality kindergarten/preschool programs, while allowing parents **the choice** of early learning service type that **best suits their work/life needs**.

Current situation

The Federal Government's Universal Access funding package was designed to ensure that all Australian children have access to **15 hours per week** of a quality kindergarten/preschool program delivered by existing university qualified early childhood teachers, for 40 weeks per year in the year before school.

This Federal Government's latest \$428 million Universal Access investment, which is provided through a one-year extension to National Partnership arrangements, will allow continued Universal Access support for kindergarten/preschool programs throughout 2018, with the current national partnership agreement **due to expire at end of 2019**.

However the funding model is seriously flawed in implementation; each state/territory government has taken a different approach to implementation since inception of the agreement, leading to **grossly inequitable** outcomes for children, families and service providers alike.

¹⁰ *Invest in Early Childhood Development: Reduce Deficits, Strengthen the Economy*, Professor James J. Heckman, Henry Schultz Distinguished Service Professor of Economics at the University of Chicago

¹¹ *Report on Government Services 2018, PART B, CHAPTER 3, Early childhood education and care*

<https://www.pc.gov.au/research/ongoing/report-on-government-services/2018/child-care-education-and-training/early-childhood-education-and-care>

¹² *Federal Department of Education Early Childhood and Child Care in Summary Report 2018*

Recommendations

That the Federal Government provides:

- *A long term, sustainable funding model to ensure that all Australian children have access to 15 hours per week of a quality kindergarten/preschool program **including delivery in long day care services** by existing university-qualified early childhood teachers, for 40 weeks per year in the year before school. This would allow parents the choice of early learning service type that best suits their work/life needs.*
- *A review and modification of the existing Universal Access funding model:*
 - *to provide greater certainty of funding beyond year to year agreements*
 - *that delivers equitable funding to all children (ie. funding that follows the child) regardless of service type or jurisdiction.*

*This would support kindergarten/preschool programs in all settings, including preschool programs delivered in **long day care** settings.*

New Child Care Subsidy – Bringing all families back into the picture

Rationale

ACA believes that **all Australian children** should have the same opportunities to the **best possible start in life**, starting with a minimum level of engagement in a quality kindergarten/preschool program in their two years before school.

Current situation

The new Child Care Subsidy (CCS) was designed by the current Federal Government with a primary focus on assisting working families to increase workforce participation, as opposed to recognising the benefits of Early Childhood Education.

The package does not provide a **minimum level of subsidised access** to early learning services for those children whose families do not meet the activity test, reducing their capacity to afford early learning services.

ACA acknowledges that a significant number of **working families** are better off as a result of the implementation of the CCS. The package however does not provide a **minimum level of subsidised access** to early learning services for those children whose families do not meet the activity test, reducing their capacity to afford early learning services.

The activity test and its range of exemptions which may allow families access to the first step in the activity test creates significant complications for families seeking to understand their entitlements and for Centrelink to administer the system.

Like its predecessor, the CCS can fail a significant number of parents who would like to return and participate more in the workforce but are disincentivised by the cost of Early Childhood Education and Care relative to their earning potential.

ACA believes that all children should have access to the same opportunities to ensure the best possible start in life, including those children from vulnerable and disadvantaged backgrounds.

ACA believes the new CCS package could be easily amended to support all Australian children, allowing all families access to high quality, affordable early learning services.

Recommendation

That the Federal Government allocates funding that allows for:

- *A revision of the Child Care Subsidy parameters so that all families qualify for **18 hours per week** of subsidised access, equivalent to meeting step 1 of the activity test.*

Improvements to National Quality Framework

Rationale

ACA supports the intent of the National Quality Framework (NQF), which aims for the provision of consistent, high quality Early Childhood Education and Care services nation-wide, via a set of nationally consistent standards.

Current situation

The National Quality Framework (NQF) took effect on 1 January 2012, as part of the Federal Government's agenda to provide Australian families with high-quality, accessible and affordable integrated early childhood education and child care. The NQF's purpose is to raise quality and drive continuous improvement and consistency in education and care services through:

- a national legislative framework
- a National Quality Standard
- a national quality rating and assessment process
- a national body called the Australian Children's Education & Care Quality Authority (ACECQA).

Due to state government influence, the NQF is **not implemented consistently** across Australia's early learning service providers.

This includes:

- educator -to-child ratios*
- Early Childhood Teacher requirements
- unique state-level processes
- different regulatory practices and interpretations

*ACA recommended Educator to Child Ratios for Centre-based services **Australia-wide**, as set out under the NQF¹³:

- *Birth to 24 months – 1:4*
- *Children older than 24 months and younger than 36 months – 1:5*
- *Children older than 36 months (not including children over preschool age) – 1:11*
- *Children over preschool age – 1:15*

This outcome defeats the purpose of the NQF, which is to deliver high quality and nationally consistent education and care across long day care, family day care, preschool/kindergarten, and outside school hours care services.

Despite the major federal funding and resources invested into the NQF, there is currently no longitudinal assessment of the educational outcomes associated with the NQF and the early learning models it supports.

Under the Federal Budget released in May 2018, the Federal Government did not renew the National Partnership on the National Quality Agenda for Early Childhood Education and Care (ECEC), which is due to expire on **31 December 2018**.

As an alternative, the Federal Government directed \$14.9 million to directly fund ACECQA, which had previously been funded by the state governments through funding received as part of the National Partnership Agreement.

Recommendations

That the Federal Government:

- *Reinstates federal funding to support the national quality agenda and the delivery of high quality early learning.*
- *Invests in new longitudinal research which tracks and measures the educational outcomes of children attending early learning services associated with the NQF.*
- *Provides funding to undertake an independent cost-benefit analysis of all proposed amendments to and new laws/regulations instead of the current Regulatory Impact Statements.*
- *Provides funding to undertake an independent cost-benefit analysis as part of the 2019 Review of the National Quality Framework. This could lead to ongoing research to ensure optimal regulatory settings that delivers best practice approaches, value to the tax-payer as well as affordability for families.*

Greater alignment of the provision of early learning services to support demonstrable need

Rationale

ACA believes that in the early learning sector there is a direct correlation between an oversupply of services and an increase in costs to families, taxpayers and to government along with a decrease in the quality of education and care.

Early learning services should only be made available **where needed**, as part of good, local community planning to allow for better access at a price that facilitates participation by all families, strengthens the local community and allows for sustainable, high quality services.

Current situation

Oversupply is a growing issue in Australia's early learning sector. With few barriers to entry for new or existing providers to set up new centres, the saturation of childcare centres in certain geographic areas has led to many services experiencing lower utilisation or being squeezed out of business.

A recent report¹⁴ commissioned by the Australian Childcare Alliance (ACA), the Early Learning and Care Council of Australia (ELACCA) and Australian Community Children's Services (ACCS) revealed that the net increase in long day care centres in 2017 was roughly **2-3 times** the estimated number of new centres needed per annum to meet future demand.

This is an alarming statistic - if the same growth continues in the coming years, there is likely to be an enormous impact on the quality of services, the government spending and the viability of all early learning services.

Planning data¹⁵ predicts that there are currently over 1,000 new centres in the pipeline around the nation, which if completed could deliver another 90,000 childcare places in an already flooded market.

Whilst we know that there are still some locations where demand outstrips supply, it is important for decision makers to be able to identify these few areas in need and understand how these particular communities can be better supported to supply the needs in that space, whether metropolitan or rural.

If not addressed, oversupply will lead to increased costs for families and an increase in government spending and may have a negative impact on the quality of services in local communities.

The early learning sector operates under a unique set of circumstances - it is subsidised by the Federal Government and includes a high level of fixed costs (wages, rent and mortgages). As a result, prices are relatively inelastic, and typically do not decrease with increased supply and competition.

¹⁴ Occupancy and Performance Appraisal: Early Childhood Education and Care Sector Report, <https://childcarealliance.org.au/news/192-new-report-explores-the-factors-influencing-the-supply-and-demand-of-early-learning-services-across-australia>

¹⁵ According to data sourced from [Cordell Connect](#).

Recommendations

That the Federal Government:

- *Allocates resources to support the development of policy and frameworks that ensure greater intervention from the appropriate regulatory authorities at the local, state and federal levels to:*
 - *Foster more effective communication and information provision between relevant government agencies and individual/corporate developers looking to set up new centres*
 - *Ensure that due diligence and planning considerations take place (taking into account the existing services in the local area, the projected population statistics, the elasticity of demand and the business model) prior to the development/construction of new centres.*
- *Considers the application of legislation similar in theory to the Pharmacy Location Rules in the context of ensuring the provision of ongoing affordable, high quality early learning services to all Australian children by better aligning service provision to demonstrable need. Benefits would include a viable sector, reliable, consistent services for families and a more effective, impactful delivery of government funding to the early learning sector.*

Early learning workforce strategy

Rationale

Sourcing Early Childhood Teachers (ECTs) is a significant problem Australia-wide, with varying levels of quality, undersupply problems, along with a growing need for quality candidates to address a likely increase in three year old participation.

This problem is compounded by the requirement for an additional ECT in centres with over 60 children from 2020, and further exacerbated in NSW where up to four ECTs may be required, depending on the size of the service.

There is a clear need to ensure a steady flow of qualified, job-ready candidates into the sector.

It is vitally important that the quality of candidates and their job readiness at all qualification levels is consistent and at a high level.

Current situation

The early learning sector is already struggling to meet the demand for well trained, competent ECTs and early childhood educators, with not enough entrants into the sector to meet the demand.

There is currently no Federal Government early learning workforce strategy to support the growing demand for vocationally trained educators and tertiary trained teachers.

There is currently no Federal Government funding in place to support the professional development of Australia's early childhood educators and teachers.

The former Long Day Care Professional Development Program (LDCPDP), which concluded on 30 June 2017, allowed early learning service providers to meet their specific professional development needs to support the National Quality Framework, adhere to the National Quality Standard and deliver the Early Years Learning Framework or other approved learning framework.

The Federal Department of Employment Report (April 2017)¹⁶ and the NSW Department of Education's Early Childhood Education Workforce Review (October 2017)¹⁷ have both confirmed labour shortages for Certificate III, Diploma and Degree qualified educators and teachers.

¹⁶ Federal Department of Employment Report (April 2017) - https://docs.jobs.gov.au/system/files/doc/other/241111earlychildhtchrnsw_2.pdf

¹⁷ NSW Department of Education's Early Childhood Education Workforce Review (October 2017) - <https://education.nsw.gov.au/media/ecec/pdf-documents/2017/Workforce-Literature-Review.pdf>

There is a need for a nationally consistent approach to how each state jurisdiction recognises qualified early childhood teachers. Each state has its own independent Teacher Registration Board, which do not necessarily align with ACECQA qualification approvals.

This means that when a qualified teacher relocates inter-state, their degree qualification may not be recognised by the new state's Teacher Registration Board. Whilst service providers can apply for waivers, these are provided on a case by case basis and require substantial paperwork from both the candidate and the service provider. These waivers also render affected service providers to be non-compliant to the NQF, thereby potentially downgrading their services' ratings.

Recommendations

That the Federal Government:

- *Allocates funding to a national early learning workforce strategy that aims to ensure an adequate supply of quality Early Childhood Teachers and early childhood educators and for the sector.*

This must include:

- *Government policy that will deliver a consistent level of high quality vocational training courses with the required outcomes, to ensure that Australian young children receive the best quality early childhood education and care, particularly in the lead up to the 2020 change in NQF requirements regarding Early Childhood Teachers and the potential for the universal kindergarten/preschool programs to be extended to three year olds.*
- *Government funding for the professional development of Early Childhood Teachers and early childhood educators. i.e. a program similar in concept to the LDCPDP with the same distribution model that allows early learning service providers to determine the most appropriate training needs for the staff in their own services.*



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