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NCEC response: A path to universal early childhood education and care Inquiry into the early childhood education and care (ECEC) sector in Australia.

Context

As the peak body representing Catholic schooling across Australia, the National Catholic Education Commission (NCEC) advocates on behalf of 1759 Catholic schools which educate one in five, or more than 794,000, students, and employs over 104,500 staff.

The NCEC represents thousands of children and their families in our early childhood and learning centres, with 693 approved services under the National Quality Framework (NQF) including 417 early childhood education and care (ECEC) services (including centre-based care, occasional care and family care (excluding OHSC)). The NCEC works closely and collaboratively with state and territory Catholic Education Commissions and has consulted with several of these jurisdictions to formulate this submission. Their contributions are incorporated in this NCEC submission.

The NCEC welcomes the opportunity to respond to the Productivity Commission draft report which focuses on four aspects of early childhood education. These include:

- **availability** of quality ECEC service in a reasonably convenient location
- **affordability** of ECEC with government subsidies, especially for families experiencing disadvantage
- **inclusivity**, whether the needs of all children are accommodated in ECEC; and
- **flexibility** or the degree to which services respond to families' needs.

Introduction

ECEC services play a crucial role in children's development, relationships, and creativity and can positively impact children's school achievements later in life. Recent evidence from Australia and overseas shows that most ECEC programs have positive effects on children's early academic, cognitive, or non-cognitive skills, especially children experiencing disadvantage.

Current statistics indicate that while almost 90% of four-year-olds and half of one-year-olds participate in ECEC, a significant number of children, particularly from disadvantaged backgrounds such as First Nations communities, miss out due to a lack of availability in remote regions or culturally appropriate environments. Feedback from First Nations communities has highlighted that the administrative processes (activity tests) to receive the Child Care Subsidy can actively discourage First Nations households from using formal childcare services.

Despite an increase in ECEC services, especially in metropolitan areas, regional disparities persist and there is a perception in disadvantaged areas, that ECEC services are of lower quality. Issues such as long waiting lists, labour shortages, and high fees also hinder access. These challenges are exacerbated by the lack of inclusivity and cultural safety in some services. Of note are labour shortages which are affecting the supply of services to all children across Australia. These shortages are more acute for ECEC suppliers serving regional and remote areas, First Nations communities, children experiencing disadvantage and children with disability.

While quality ratings for ECEC services have improved over time, quality is not uniform across the sector. For example, services run by not-for-profit providers, governments and schools have better National Quality Standard (NQS) ratings, with 34% exceeding the standard, compared with 13% of services run by for-profit providers. This reflects the differing operating models or cost structures of services, with some not-for-profit services using surplus funds to offer higher staff wages, which may affect the quality of ECEC offered. However, the ability to offer higher wages or other benefits for staff could be crucial to retention and attraction of staff in outer regional, remote and very remote locations that are hard to staff.

Concerns about educators, early childhood teachers, centre directors and other ECEC workers' pay, conditions, career opportunities and qualification pathways have been an ongoing concern for the sector. Ongoing coaching, induction and mentoring programs, professional learning opportunities and mutual support between the educator, the ECEC service and the community are critical in improving quality services.

Universal ECEC system

The draft report explores the feasibility of a 'universal' ECEC system', which would offer affordable, high-quality care to all children aged 0-5 for up to three days a week, irrespective of parental activity. The report recommends expanding services, modifying activity tests, increasing subsidies for low-income families, and enhancing inclusivity and flexibility to better cater to family needs.

The NCEC supports a universal ECEC system but acknowledges that any successful transition to universal access will require carefully staged reforms. This includes addressing workforce challenges (e.g., improved working conditions, pay, registration mobility, career opportunities, qualification pathways) and acute staff shortages in both ECEC and preschool services.

Well-qualified staff are critical to the provision of high quality ECEC, and staffing must be sustainable. Staff shortages are likely to remain a marked challenge across the school and early years sectors, especially in rural, regional and remote areas. Even in larger towns such as Dubbo in New South Wales (NSW), childcare services have reported that they are not able to operate at capacity as they are unable to attract staff. Vast distances and affordability can result in many children in remote locations not attending preschool settings prior to school commencement. This lack of consistent service provision increases the vulnerability of children, particularly those with developmental vulnerabilities, shifting the burden of early intervention to schools at the point of enrolment. An expanded ECEC offering requires prioritisation of these workforce issues.

For a successful transition to universal access high-quality ECEC three days a week, the NCEC advocates for establishing close connections between ECEC providers and schools, through co-locating services with schools, or establishing services that are geographically proximate to schools. This creates scope for schools to function as community hubs, becoming a key point of integration for

community support. Universal access to early childhood education and care (ECEC) offers the chance for early intervention and enhanced support for families through the integration of educational services with other sectors like allied health. This approach aims to provide comprehensive assistance for children and their families, addressing their needs holistically.

The Australian Government and states and territories have an important role to play in early childhood education and will need to build on the Preschool Reform Agreement (expiring 2025) to ensure funding supports the desired outcomes, regardless of the preschool delivery model adopted in each jurisdiction. The NCEC supports the Productivity Commission's recommendation that the Preschool Reform Agreement be replaced by a Partnership Agreement for Early Childhood Education and Care to improve cohesion and coordination across all levels of government and all stages of ECEC.

The NCEC also supports the creation of a new independent Early Childhood Education and Care Commission to support, advise and monitor governments' progress towards universal access to ECEC. A dedicated body can guide decision-making and support consistent policy responses across the sector. The Commission could be aligned with the Australian Children's Education and Care Quality Authority (ACECQA) and operate similarly with an organisational structure, agenda and reporting requirements to the sector and governments. The Commission should consult with and represent the sector while providing advice to governments on early childhood education and care services. It is important, however, that a new Early Childhood Education and Care Commission does not administratively burden a highly regulated sector which many consider 'highly burdensome'¹ in meeting the specifications of the National Quality Framework.

Policy options for providing high levels of support to families

The Productivity Commission has considered a range of policy options, most of which build upon each other to provide higher levels of support. These options aim to make ECEC more affordable for families, especially those with children aged 0-5 years. Six options have been proposed. They are:

- **Option 1 - Relaxing Activity Test:** This option involves relaxing the activity test, which determines eligibility for subsidised care. This change primarily benefits families with lower incomes, allowing them more access to subsidised ECEC.
- **Option 2 - Subsidy Increase for Lower Income Families:** This option combines the relaxation of the activity test for all families with an increase in the subsidy rate for lower income families (those earning up to \$80,000 a year) to 100% of the hourly fee.
- **Option 3 - 90% Subsidy for Three Days:** This option combines a 90% subsidy for three days of ECEC for all families, relaxation of the activity test, and an increase in the subsidy for lower income families.
- **Option 4 - 90% Subsidy for All:** This option extends the 90% subsidy rate to all families, removes the activity test, and increases the subsidy for lower income families.
- **Option 5 - Free ECEC for Low Income:** This option provides free ECEC for low-income families and a flat fee of \$10 per day for other families, with no income or activity test.
- **Option 6 - Universal 90% Subsidy:** This option involves increasing the Child Care Subsidy (CCS) rate to 90% of the hourly fee for all families without other major changes.

¹ Roberts, Jason. (2023, Jan 4). Providers perceptions of NQF survey. *The Sector: Early Education News, Views and Reviews* <https://thesector.com.au/2023/01/04/administrative-burden-concerns-at-record-levels-according-to-latest-acecqa-provider-perceptions-of-nqf-survey/>

The various options infer that as the support to families increases, there is a greater impact on labour force participation, ECEC demand and government costs. The higher the level of support the higher the costs to taxpayers. Options 3 to 6 disproportionately benefit higher income families while Options 1 and 2 target and benefit lower income families.

Option 2

The draft report recommends supporting Option 2, targeting support towards lower-income families to address affordability and potentially enhance educational outcomes for disadvantaged children. The report highlights that children from disadvantaged backgrounds tend to experience greater improvements in educational outcomes when they have access to quality early childhood education and care.

By targeting lower-income families, Option 2 may lead to positive educational outcomes for children in need. However, preliminary modelling suggests this option could significantly boost labour force participation with an estimated 3.4% increase in total hours worked by single parents and secondary workers in couples with young children. This includes the two proposed policy changes to increase subsidy rates to low-income families and relax the activity test. The three days per week without activity test should also allow primary caregivers (often the female parent) to access more part-time work rather than casual work. As workforce participation increases, the number of families earning under \$80,000 may also reduce negating the benefit.

However, while the NCEC notes that an increase in childcare subsidy may initially reduce out-of-pocket expenses for families, the hourly rate cap has limited influence on reducing childcare fees. Providers especially of centre-based care services consider many factors when determining childcare fees such as operational costs and the willingness and ability of households to pay.

The NCEC supports the Productivity Commission's observation that the economic benefits of implementing Option 2, in terms of improved labour force participation and support for disadvantaged families, outweigh the costs to taxpayers. However, notes that an increase in the Child Care Subsidy will not necessarily improve affordability long term as it may lead to an increase in fees which erodes the benefit. Additionally, as the number of primary carers entering the workforce increases, the \$80,000 threshold may easily be exceeded.

Options 3 to 6

Option 3: 90% Subsidy for Three Days for All Families, Relax the Activity Test, and Increase Subsidies for Lower-Income Families

While Option 3 combines elements of targeted support for lower-income families and broader support for all families, it will result in a higher cost to taxpayers. A universal 90% subsidy would furthermore reduce the limited incentive to choose providers based on price because the household would pay only a small part of the price. This reduces the extent to which competition can provide downward pressure on fees, which in turn impacts government expenditure.

Option 4: 90% Subsidy for All, Remove the Activity Test, and Increase Subsidies for Lower-Income Families

Similarly, to Option 3, Option 4 provides more universal support by removing the activity test, however, feasibility could depend on budget constraints and the government's willingness to provide subsidies to families regardless of their income or employment status.

Option 5: Free ECEC for Low-Income Families, Flat Fee ECEC Expense for Other Families, No Income Test or Activity Test:

This option, which includes free early childhood education and care for low-income families, could be feasible as it directly addresses affordability for those who need it most. However, the potential increase in government costs and costs to taxpayers would need to be carefully considered.

Option 6: 90% Subsidy for All

This option provides a universal subsidy to all families. Its feasibility depends on budgetary considerations and whether the government is willing to allocate resources to provide support to families regardless of income or employment status.

The report also advocates for resetting the Hourly Rate Cap and Indexation of ECEC services. While not presented as a standalone option, resetting the hourly rate cap to better reflect efficient costs of provision, and changing the indexation approach could be a feasible and practical step to sustain affordability, particularly if combined with other policy changes. A review of how the hourly rate cap is indexed to keep up with actual charges by providers is necessary as some childcare centres charge above the hourly cap. The recent ACCC report found that only '41% of large for-profit centre-based daycare services charge about the specified amount'. However as previously stated increasing the hourly cap can also lead to early childcare services increasing their fees, thereby reducing the benefit.

Some participants in the inquiry have suggested changing the funding model for Early Childhood Education and Care (ECEC). These proposed models include combining the Child Care Subsidy (CCS) with direct payments to service providers, allocating funding based on the specific needs and costs of service provision for different groups, funding services based on enrolment or attendance patterns, or having the government directly provide ECEC services.

The NCEC is concerned that funding tied to enrolment trends or attendance, poses challenges due to the non-compulsory nature of four-year-old preschool. Also, solely government operated ECEC services could impact on the normal market trends with respect to school enrolments. There are additional risks with direct price controls such as pushing providers out of the sector or potentially lowering quality. However, direct price controls may work in situations where the government is subsidising childcare providers in an 'unserved' or 'underserved market'. It could also include a situation where the Australian government changes policy to make subsidies substantially more generous such as a 90% universal subsidy.

Inclusive Early Childhood Education and Care Services

ECEC services cater to a diverse range of children, including those from socioeconomically diverse backgrounds, speaking different languages, or with a disability or developmental delay. ECEC services must create inclusive environments where all children can thrive. Cultural safety and inclusivity should be prioritised in all ECEC settings, especially for children from diverse backgrounds and First Nations children. Partnering with First Nations families through University Partnerships such as the Culturally & Linguistically Responsive Pedagogies research project (South Australia) to ensure First Nations families are well supported and engaged is critical.

The provision of culturally appropriate ECEC services represents an opportunity for First Nations children to strengthen their cultural identity and sense of belonging within their community. The

NCEC supports enhanced investment and improved funding models to improve the cultural capability of the ECEC sector and realise the commitments of the Closing the Gap Agreement.

While Aboriginal Community Controlled Organisations (ACCOs) may often be the first preference of First Nations children and families when accessing ECEC, there is also a need to ensure mainstream ECEC services are inclusive of First Nations children and families. Access for First Nations children can often be hindered by administration requirements; for example, children may not have a birth certificate or immunisation programs.

In the ACT some children can access Koori preschool for free but are unable to access a Catholic preschool due to the lack of subsidies available to these services to support children's attendance. The Australian Government needs to consider how we can ensure First Nations students can access childcare if their parents choose to send their child to a Catholic preschool. The cost must not impede families from accessing ECEC services where such services are offered in a non-government school context.

Targeted support for children with disability in the early years provides an opportunity to identify and address areas of concern and have a positive impact on health, learning and wellbeing. The NCEC supports increased funding for the Commonwealth Government's Inclusion Support Program (ISP). The current inclusion support programs do not effectively reach all children in need. Only 1% of children in ECEC services are supported by ISP funding, which does not adequately address the goal of inclusivity. In the Armidale Diocese, approximately 25% of young children have a disability and a lack of ECEC delays their opportunity to commence their formal learning. As a result, it takes significantly longer for any potential additional needs such as speech and/or occupational therapy to be identified and commenced. The critical shortage of these allied health services in the majority of rural, regional and remote schools further exacerbates the challenges faced by families of students with disability. The earlier primary schools are alerted to the students' need for these kinds of therapy; the earlier treatment can commence which means a successful school education is more likely.

Currently, ECEC services (aside from preschools and kindergartens) are not covered by the Disability Standards for Education 2005. The NCEC supports amending the Standards to include ECEC. Children in early childhood have the same rights as children in the school education system.

The NCEC supports proposed changes which include increased subsidies, increased allied health services, expanded service hours, and professional training for ECEC staff.

Flexible ECEC services that align with the needs of families

There is a need for greater flexibility in ECEC services to accommodate the diverse needs of families, especially those experiencing disadvantage or requiring non-standard hours of care. Flexible options for accessing ECEC services are crucial for families experiencing disadvantage or social exclusion. This involves supporting out-of-preschool-hours ECEC; ensuring occasional care is available; and meeting the need for outside-school-hours care in primary schools. Flexible options like occasional care and playgroups are recognised as valuable but face challenges in funding and availability. Establishing an ECEC Commission to advise on occasional care needs and providing flexible funding can help address these issues.

Access barriers, including documentation requirements and limited transport assistance, can disproportionately affect vulnerable families. To ensure universal access, there is a call for policy and regulatory changes, as well as additional funding. There is a need to encourage creative thinking around mobile ECEC services to overcome workforce barriers and socio-economic factors hindering families from accessing child care within our communities.

Non-standard childcare hours are essential for working families, but they face obstacles like high costs and regulatory limitations. One of the concerns raised is the need to synchronise dedicated preschool hours with working hours. To address this issue, it is suggested that changes be made to the Family Assistance Law. These changes would enable dedicated preschools to offer extended care while ensuring that the quality of care aligns with the National Quality Framework (NQF) where applicable.

One key flexibility challenge is the discrepancy between the session lengths charged by ECEC providers and the actual hours attended by children. This leads to inefficiencies and imposes costs on both families and taxpayers. Encouraging greater flexibility in session lengths, aligned with family needs, is considered a possible solution to address this issue.

Outside-of-school hours care (OSHC) services are recognised for offering flexibility, but their availability is not uniform across schools and regions. This inconsistency may lead to differences in treatment, and there may be a need for tailored requirements and additional guidance. The regulation of OSHC services, despite catering to an older age group, is similar to that of services for younger children. It has been reported that some potential providers are reluctant to establish OSHC services because they find the regulation requirements challenging. The need for reducing the regulatory burden to make it less overwhelming for providers, while at the same time, ensuring child safety, is paramount.

Given that OSHC will continue to pose a financial burden on families, the NCEC suggests that consideration be given to making OSCH accessible to preschools and kindergartens. To make it more accessible, a free first hour in both Before School Care and After School Care for working families could potentially contribute to a more inclusive and accessible OSHC system.

It is vital that improved communication between onsite OSHC providers and schools, incorporating elements of this as a concept into the NQF occurs. This should be an element of an NQS. Focusing on key educators networking and communicating with each child's teacher can enhance the overall quality of care. All schools should be encouraged to offer before and after-school care programs to meet the evolving needs of working families, ensuring comprehensive support outside school hours.

Summary and recommendations

The NCEC supports a pathway to reform, recognising that achieving universal access will take time, with incremental benefits emerging for children and their families along the way. We are pleased to see in the report, that while universal access will be explored, this may not mean uniform delivery of service, recognising that ECEC services are diverse. It is important that as representative working parties are being formed, stakeholders are fully represented, including non-government providers.

The NCEC considers that the best model of service delivery is one that provides wrap-around support to children and families - encouraging family contribution in decision making and allowing equitable and accessible pathways to Allied Health Services such as Occupational Therapy, Speech Pathology and Psychology. This wrap-around approach is particularly critical in the early years where the

provision of rich opportunities to engage in dialogue can provide a holistic and integrated approach for young children and families. Strong partnerships need to be formed with Allied Health Professionals to increase the proportion of children who are developmentally 'on track', regardless of background or location, with additional specific support provided to children in complex situations. This will provide support to families so that children can achieve identified learning and wellbeing outcomes and develop practices and resources that will aid their transition to school.

Achieving universal access to quality ECEC requires co-ordination among governments, as current policy settings lack co-ordination and evaluation. As governments consider universal access to three days (up to 30 hours) of ECEC, there is a need to evaluate whether existing regulatory and funding systems are suitable for this purpose.

The report suggests that improvements can be made within existing systems and policy settings to achieve this goal, avoiding the imposition of high costs without clear additional benefits. The successes of past initiatives, such as the NQF and universal access to preschool, provide a foundation for further progress.

As the early childhood sector moves toward universal access, governments should continuously evaluate and adjust their programs to ensure greater access for low income and disadvantaged families.

Key recommendations

The NCEC supports:

1. The creation of a new independent Early Childhood Education and Care Commission to support, advise and monitor governments' progress towards universal access to ECEC providing it does not provide too much administrative burden for early learning services.
2. Strong partnerships across government and non-government sectors to increase the proportion of children who are developmentally 'on track', with a particular focus on our First Nations families and students with disability.
3. Different funding models, including higher subsidy rates, be considered to adapt to changes in the system. While the NCEC is supportive of Option 2, (targeting more support towards lower-income families to address affordability) we recommend further consultation on the changes to the childcare subsidy and existing hourly rate cap mechanism to address any unintended consequences on incentives and outcomes.
4. Amending the Disability Standards for Education 2005 to include all early childhood education and care services to strengthen transition arrangements for children with disability in preschools and primary schools.
5. Increased funding for the Inclusion Support Program and improving inter-service co-ordination between agencies.