



Australian Childcare Alliance

Representing the future of Australia's children

**2014 Review of the NPA on the National Quality
Agenda for Early Childhood Education and Care**

AUSTRALIAN CHILDCARE ALLIANCE

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Submission to the Senate Inquiry 2014 Review of the NPA on the National Quality Agenda for Early Childhood Education and Care

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Introduction

The Australian Childcare Alliance (ACA) is the national peak body representing members throughout Australia in the long day care early childhood education and care (ECEC) sector with offices in Victoria, New South Wales, Queensland, South Australia, and Western Australia and representation in all states and territories.

ACA acknowledges that the Australian and State and Territory Governments, through the Council of Australian Governments (COAG), have demonstrated their desire to improve education and care of children via their early years through reform agenda. Research has proven that targeted support for quality ECEC, which is affordable for families, in this important cohort of young Australians, will reap enormous rewards - economic, familial and social for our country - now and long into the future.

ACA supports the intent of the NQF, in particular the desire to drive continuous improvement and consistency in Australian early childhood education and care services, however it will only ever be successful if implemented consistently, administered equitably and funded adequately.

ACA members agree that there are many facets of the NQF that have improved the quality provision of ECEC for children and we endorse those immensely. ACA is encouraged by recent steps to address areas where regulatory burden was identified (e.g. certified supervisor certificates) and we believe that through cooperation with government and ACECQA, a sustainable framework can support all stakeholders into the future.

The task of such an ambitious reform was a concern and these concerns were heightened by the fact the former Australian Government did not acknowledge that implementation of the NQF would be cost prohibitive for families without additional subsidy support. In fact, the previous government instigated changes to Child Care Rebate (CCR) funding that imposed financial hardship.

The 2009 Report by Access Economics: An Economic Analysis of the Proposed ECEC National Quality Agenda¹ "Additional impacts may be expected should the NQA change parents' decisions to place their children in ECEC – either through an increase in quality or price of ECEC. In this case, enrolments in ECEC would be impacted and labour force participation decisions of parents would be affected. However, consistent with the international literature, modelling undertaken by Access Economics suggests that over the range of quality and price considered here, cost, quality and availability of child care have no statistically significant impact on parents' labour supply decisions (that is, demand for ECEC is relatively inelastic with respect to these factors). One possible explanation for the results is that, in the observed data, the effects of price and quality offset each other. Given this finding, the aggregate impact of the NQA on enrolments, and hence on parents' workforce participation, is assumed to be zero for modelling purposes."

In 2009 ACA disputed this statement and remain of this opinion to date, supported by the statement from The Centre for Economic Policy Research² report which highlights the strong relationship between cost of childcare and usage. They report that:

¹ 2009 Report by Access Economics: An Economic Analysis of the Proposed ECEC National Quality Agenda: Potential impacts of the proposed National Quality Agenda for ECEC: Pii

² The Australian National University, Centre for Economic Policy Research Discussion; Gong and Breunig; Paper No. 653 November 2011.



- *a one per cent increase in the net price of child care for pre-school children leads to a decrease in hours worked by partnered women of 0.10 per cent. Such a price change leads to a decrease in the employment rate of 0.06 per cent. These estimates are statistically different from zero; and*
- *the analogous gross child care price elasticity is similar. A one per cent increase in the gross pre-school childcare price causes mothers' hours of work to decrease by 0.11 per cent and mothers' employment rate to decrease by 0.07 per cent.*

The well intentioned reform agenda has resulted in hardship for families, particularly for working mothers of young children wishing to re-enter and/or remain in the workforce. Children from vulnerable and disadvantaged households have found been unable to access an early learning program as the increases in fees for service have placed access out of their financial reach.

Our survey of 2500³ parents revealed that work hours have been cut and will be cut further as families' fees increase as the NQA continues through its implementation phase. ACA is concerned that children may be placed at risk as parents search for cheaper alternatives to the highly regulated formal sector.

Children from vulnerable and disadvantaged families are obviously missing from an ECEC program at the current time. It is ACA's intent that all children should have access to an affordable ECEC program.

The AEDI (Australian Early Development Index 2012) states that:

- Overall in Australia, 22 per cent of children are developmentally vulnerable on one or more domain/s; and
- Overall in Australia, 10.8 per cent of children are developmentally vulnerable on two or more domains.

It is our responsibility to ensure that an ECEC program and early intervention is provided to ensure that these children are competently equipped during their early years to be successful when they enter the school system.

Implementation of further requirements under the NQF take effect on 1st January 2016 and these changes, primarily lower staff to child ratios will further exacerbate the cost impost on families. ACA is concerned that families using ECEC services will increasingly be unable to meet the rising costs.

Educators in the sector have been impacted by the rapid implementation of the NQF and the resultant outcomes of their assessment and rating experiences. Our educators are dedicated and capable but many are feeling the pressure of providing quality education and care.

Regards

A handwritten signature in black ink that reads "Gwynn Bridge".

Gwynn Bridge
President

³ ACA Parent Survey 2014, Australian Childcare Alliance, December 2013.



1. The degree to which the agreed objectives and outcomes and/or outputs of the NP NQA have been achieved

a) Information gathered from members and families accessing long day care services indicate that the introduction of the NQF has not improved the efficiency and cost effectiveness of the regulation of services or reduced the regulatory burden of service providers.

ACA member views are consistent with data recorded by *The Report on the National Quality Framework and Regulatory Burden 2013*:⁴ p 40 "Analysis of responses found that 60 per cent of providers perceive the ongoing requirements to be 'quite burdensome', while 20 per cent perceive them to be 'somewhat burdensome'. Seventeen per cent of providers describe the ongoing requirements as 'very burdensome', while two per cent describe the ongoing requirements as 'not at all burdensome'".

Our members report that whilst they are, in the majority, very supportive of the NQF, they view the hurried implementation followed by the Assessment and Rating (A&R) process commencing within 6 – 8 months of the introduction of legislation and regulation (1 January 2012) as challenging. The A&R process, combined with reading, comprehending and implementing the *Education and Care Services National Law 2010* and the *Education and Care Services National Regulations 2011* were considerable. Changes causing providers and educators to feel burdened also involved creation of new documents, policies, procedures and ensuring all educators were understanding of and implementing the requirements under the law and regulations.

Costs (fees to families) have increased as additional educators were employed, ratios changed in some jurisdictions and additional resources (time) were spent on office procedures, professional development and mentoring.

ACA acknowledges that 2012-2013 was a very difficult period under the NQF and that in subsequent years some pressure will be lifted as services embed processes, however services will still have to employ additional educators and provide additional resources for the new systems to be implemented and monitored on an ongoing basis.

ACA members, overall, report that the regulatory burden on services has increased.

Services are currently struggling under the financial toll of the implementation of the NQF, in particular costs related to increases in staffing requirements and increased administrative burden. Ratio requirements from 1 January 2016 will have the most significant impact on increased cost to families. This impact will vary across Australia and whilst all families will be impacted, families in some jurisdictions will be forced to pay considerably more as the higher ratios take effect.

A slower implementation or delaying the implementation of these changes until more educators are available and government can afford to subsidise families for the increases that will occur should be considered.

Consolidation or amalgamation of services to reduce costs to drive economies of scale is not an option for smaller ECEC services and many Approved Providers have increased their own workload in an effort to keep costs from rising further for their families.

⁴ ACECQA: Report on the National Quality Framework and Regulatory Burden:



b) There are number of areas where the NQF has not achieved an integrated and unified national system with consistency of approach and interpretation of the National Law. ACA and State and Territory Associations have repeatedly raised these concerns, as well as suggested solutions, with jurisdictions and the national authority to ensure that families and services can have confidence in the NQF.

The challenge of achieving a truly national system is complex and some divergent laws/regulations particularly in the first phase of implementation are expected. As a national peak body, ACA receives reports of inconsistency in the A&R process within regional and state jurisdictions as well as within service types. This is primarily evidenced in the varying approaches, interpretation and requirements of the assessors. Larger groups with services across states advise that this is frustrating as the approach by assessors is highly inconsistent. Inconsistency has also appears where changes to regulatory burden have been adopted by some states yet rejected by others.

ACA does not agree that the NQF conveys a unified approach when stand-alone Pre Schools are not included in two states, WA has its own regulatory process, all states have additional inclusions or exclusions to the regulations and assessors have no unified qualification or sector experience requirements.

c) In the ACA Member February 2014⁵, 46% of respondents agreed with the question 'A stronger focus on programming and documentation has resulted in better outcomes for children' with 47% disagreeing and 8% remaining undecided. 56% of respondents report that educators were now spending less time actually working with the children with this time being expended on increased regulatory burden primarily paperwork.

ACA notes that parents are beginning to embrace the early learning aspects of their child's day and recognise that when their child is attending an ECEC service their knowledge, vocabulary and social skills are enhanced.

As reported in the AEDI 2012 Summary Report (page 11)⁶:

The majority of children are doing well on each of the five developmental domains of the AEDI: physical health and wellbeing, social competence, emotional maturity, language and cognitive skills (school-based) and communication skills and general knowledge.

There are children in Australia who are developmentally vulnerable as they enter school:

- 23.5 per cent of Australian children are developmentally vulnerable on one or more of the AEDI domain/s.
- 11.8 per cent of Australian children are developmentally vulnerable on two or more of the AEDI domains.

This research reinforces the importance of early intervention for children who are attending ECEC services. 64.7 per cent of children are doing well in each of the five developmental areas. 35.3 per

⁵ ACA Member Survey 2014, Australian Childcare Alliance, January 2014.

⁶Department of Education, Employment and Workplace Relations.(2013). Australian Early Development Index 2012 Summary Report. Canberra: Australian Government.



cent of children require substantial assistance to ensure that any identified areas in need of early intervention are addressed in their early years and prior to commencement of formal schooling.

The time to address the issue of developmental vulnerability is in the 0 – 5 year bracket and the importance of providing the resources and funding to address this issue rests with governments to ensure that all children have the best chance to engage meaningfully in a formal education, to enjoy a fulfilled life and become productive adults who contribute to the national economy and wellbeing.

Unfortunately, administrative burden associated with the introduction of the NQF is seen by ACA Members as having the potential to negatively contribute to outcomes for children

The A&R system (combined with regulatory requirements) is considered excessive and has increased costs to operators and families as a consequence of:

- system implementation and training;
- increased non-contact time for Directors/Nominated Supervisors;
- Additional administrative burden; and
- Increased number of educators and qualification levels.

A&R results, published by ACECQA, highlight the challenges experienced by services. According to the ACECQA NQF Snapshot Q3 2013⁷ the majority of ratings (42 per cent) are 'working towards'.

Despite insistence from the former Labor Government and ACECQA that this is an acceptable outcome, services, educators, families and the media do not consider it appropriate to be 'working towards' minimum quality benchmarks. The lack of congruence between the NQS and the National Law and National Regulations highlights that although a service can be operating legally and compliant it is still considered to be 'working towards' an acceptable standard. This is incomprehensible for most stakeholders.

To compound this issue State and Territory Governments, who conduct the A&R processes for their jurisdiction, are not consistent nationally or consistent within their jurisdictions. This results in inequitable and inconsistent assessment of services and further undermines the quality rating system.

In the transition from state-based legislation to the National law, services indicate support "resources" that previously assisted services with quality improvement have been redirected to the role of assessor, regulator and compliance officers and are no longer available to support the sector.

ACA considers the A&R process to be fundamentally flawed. A rating result defaults to the lowest rating for an element received e.g. "working towards" despite having received a higher outcome in other quality areas. ACA questions whether an overall rating is appropriate when it does not accurately describe the service's practices and performance in all or the majority of the areas of assessment.

ACA Members report that assessments are becoming increasingly onerous. As assessors progressively gain knowledge from each A&R process conducted, the standard to achieve each rating level is raised. There is little to no information provided to services as to what is required and as a result services continue to operate in a vacuum with regard to benchmarks.

⁷ACECQA NQF Snapshot Quarter 3 2013, November 2013



The A&R process involves little collaboration between service and assessor and decisions on rating levels are decided by the assessor in isolation over 6-8 weeks after the initial visit. Collaboration, reflective practice and professional conversations between all stakeholders when determining the A&R results would build a more empowered, robust and professionally aware sector.

The final A&R report that arrives at the service some weeks (6 – 12 weeks) after the visit is generally around 60 pages. This report is onerous for assessors to complete and of limited value to educators and providers as sifting through the document is extremely time consuming. Interest in the contents of the document has waned by the time it is received at the service.

The current system's failure to recognise the service's role in determining high ratings must be addressed. Services need to assess themselves against the standards and provide the rationale as to why they believe they have achieved a particular rating level.

The role of assessors should be one of moderation, professional dialogue and supporting the service to the next level of achievement. In empowering services to reflect, assess and rate themselves, it allows services to achieve quality with greater innovation and diversity thus making ECEC services in Australia more dynamic.

There is no graduation within a level. That is, it is unclear what constitutes a rating that exceeds the immediately lower benchmark by a small or large margin. The assessor considering the rating solely determines this.

ACA Members indicate that reports from Assessors are typically positive and little to no evidence as to why a standard was deemed to be "meeting" and not "exceeding" or "working towards" and not "meeting". Within each rating it is anticipated that there would be at least a 20 per cent margin for achievement. There is no evidence of this occurring.

The A&R process is currently unsustainable and causing a substantial increase in government spending which could be redirected to the support of vulnerable and disadvantaged children. ACA understand that fewer than 50% of services have been assessed as at 30th June, 2014.

It is estimated that the rate of assessment to date, combined with those services that require reassessments (i.e. they were rated "working towards" and require reassessment in 12 months) would suggest that it would take between 5-7 years to complete all services in Australia. The current system is stifling the innovative and diverse outcomes that ECEC in Australia is capable of delivering. This is evident by the "working towards" result that the large percentage of services has received.

There are many incidental points in the National Regulations e.g. fittings of child seats in cars, training and professional development, certified supervisor certification, signs in foyer, dictated level of community involvement, sustainability level required for the age cohort – which could be the responsibility of the service operator to ensure compliance with rather than including these in the National Regulations.

ACA believes that awarding the "Centre of Excellence" rating should not continue or at a minimum, be placed on hold for a considerable time to allow all services to be rated and the process more



efficient. With so many services throughout Australia as yet not assessed, it is unfair for an assessed service to receive an “Excellence” rating. This is causing dissent in areas where services want to be assessed but may not go through the process for several years.

2. The efficiency and effectiveness of regulatory models, including approaches adopted by regulatory agencies and an examination of cost and key cost drivers for services and regulators.

The expenditure on additional layers of governance is costly and inefficient for government, the sector and families. The National Quality Standards (NQS) are considered repetitive and many elements are duplicated in legislation and regulation. We support the current government’s position to streamline all aspects.

The ambition to achieve nationally consistent legislation has not been realised. All States and Territories have variations. ACA is advocating for the rights of individual States and Territories to maintain the ability to meet the needs of their local communities. The removal, in some instances, of this ability has substantially added to costs and has been detrimental to outcomes for children, families and educators. However, variations between States and Territories that set benchmarks higher than NQF standards are the cause of major division within the sector and have forced up fees for families.

A number of problematic areas in the National Law were identified by the sector in the early stages of implementation and some of which have only recently been addressed (refer attachment - Red Tape Reduction November 2013). This is attributed to the convoluted system of governance, which lacks clear lines of responsibility to administer the current system.

ACA believes that the regulatory process of assessment should be the responsibility of the State and Territory Governments; the quality assurance, as it is linked to the Australian Government funding of the Child Care Benefit (CCB) and Child Care Rebate (CCR) should be the responsibility of the Australian Government. ACA also suggests that the Significant Improvement Required rating be discontinued as if a service is failing to meet a basic regulatory requirement the assessment should be stopped and the service given a time frame for righting the problem. This would occur naturally if compliance was separated from quality.

The concern with the existing system is that State and Territory Governments have no scope to adjust regulations that are obviously having a negative impact on their communities. By providing a national context for A&R of the NQS, there would be a higher probability that the current inconsistencies of assessment and rating between jurisdictions would be minimised.

Responsibility should sit with one government or the other in relation to quality standards. There needs to be a delineation of responsibility that includes the ability for changes to the NQF to be made efficiently. The LDC sector, in all jurisdictions, is feeling the loss of their State and Territory Governments as ‘mentors’ with their transition to a limited compliance and assessment role.

ACA believes the roles of ACECQA and State and Territory Governments overlap and are costly resulting in a system that has no clear mandate for timely action for the sectors.



The applied law system, comprising the *Education and Care Services National Law 2010* and the *Education and Care Services National Regulations 2011*, whereby the Victorian Government passed the law and other jurisdictions adopted that law or passed corresponding legislation, has led to a complex situation whereby regulatory amendments may take effect in some jurisdictions many months before others.

For example, the Western Australian Government, which has passed corresponding legislation rather than adopting the National Law passed by the host jurisdiction, must make separate, corresponding amendments following the passage of amendments to the National Law, leading to considerable delays in the implementation of corresponding amendments.

Separate to the applied law system, each of the States and Territories has taken a slightly different approach to the departmental environment pertaining to ECEC services, which can impact on the complexity and responsiveness of State and Territory Governments regulatory authorities, and the respective portfolio responsibilities.

For example, in Western Australia, Early Childhood is completely separate to the Education Department, which has led to the Education and Care Regulatory Unit being responsible for the assessment and rating of long day care, outside school hours care and three-year old programs (not attached to schools); and the Education Department being responsible for the assessment and rating of schools.

This weakens the assessment and rating process when both Tasmania and Western Australia do not assess their pre-schools under the NQF system.

3. Whether the range of services covered by the National Quality Framework should be expanded to include services currently excluded by the regulations (e.g. Budget Based Funded services).

ACA does not have the working knowledge to commit to the extension of other services into the NQF. ACA supports a consistent approach to regulation, including qualification requirements, to ensure we avoid any perception of a two-tiered education and care services sector.

It is our understanding from discussions with colleagues from some Budget Based Funded services it is our understanding that they do wish to be included under the NQF.

4. Whether legislative requirements can/should be tailored to particular service types/settings (e.g. Outside School Hours Care)

ACA does have concerns that the process is a “one size fits all” as previously stated in this document regarding the process for stand-alone (sessional) preschool services with two rooms, fewer educators and no children in the 0 – 3 age group. ACA suggests that the process is not nearly as onerous for these services.

ACA in discussion with colleagues, is aware that the staffing component of the Outside School Hours Care (OSHC) sector is problematic as workforce participation is on split times of the day, fewer hours per week and attracts more casualised staff.



5. Potential connections across other initiatives e.g. Australian Early Development Index, National Information Agreement, the National Partnership Agreement on Universal Access to Early Childhood Education and Care and the national education reform agenda.

ACA supports strong connections between the NQF and other initiatives, particularly the Australian Early Development Index (AEDI) and the National Partnership (NP) Agreement on Universal Access (UA) to Early Childhood Education and Care (ECEC).

The AEDI is a rich resource enabling communities to determine the immediate needs of children in their area. Whilst the AEDI is being incorporated into some services, educators have advised that they are unsure of the scope to which the information can be implemented into their service. Training programs to assist and empower services to use this document to its full extent will be beneficial to children and their community.

The NP ECE is currently under review and ACA is supportive of continuing funding. ACA is disappointed that the distribution of funds has not been consistent and in some situations has been used to strengthen state-funded sectors (i.e. community kindergartens or preschools) without meeting the original intent wherein a family would have the opportunity to “access a preschool program for 15 hours each week regardless of setting and delivered by an Early Childhood Teacher”.

Only in Queensland, Victoria and a minor number in South Australia can parents choose to leave their child in a long day care setting and access Universal Access funding. The programs that have been implemented in the Long Day Care setting have been valuable in providing a strong early Learning program for children in the year before they attend formal schooling.

ACA suggests that more choice be offered to all families across Australia to ensure that their children can remain where they already have a sense of “belonging” during their most important early years.

6. Future arrangements for funding for regulation of the National Quality Framework under the NP NQA.

ACECQA receives considerable funding and whilst we have witnessed an increase in productivity through the period from its inception, ACA has stated that the roles of both ACECQA and the state regulatory bodies overlap, and that it is imperative that a clear delineation of what functions each body should perform must be determined to avoid this overlap.

ACECQA’s charter should be clear to all stakeholders. ACA has made recommendations in previous submissions to government, including the Productivity Commission addressing the overlap. Any funding decisions or recommendations should be made in line with a redefined role.

Areas identified for funding:

- Insufficient assessors to meet the increased workload of assessments.



- Lack of assistance to implement the changes to the NQF.
- UA available in all long day care centres for children in the year prior to commencing school.
- Strong commitment through the NP to ensure that Australian Government funding is provided to ensure affordability for families using an ECEC setting instead of families being the financial stakeholder for the NQF implementation.

ACA has examined the impact of NQF and other causes on the sector up to and including 1 January 2016. The list below indicates our concerns:

Affordability for families

- Costs compounding from NQF implementation and Equal Remuneration Order currently before the Fair Work Commission passed on to families.
- First casualties - vulnerable families and children at risk - who have least capacity to pay.
- Families caught in the “financial pincer” caused by erosion of subsidies and rising fees.
- Children not accessing any ECEC program due to families finding it not financially viable for them to enter/remain in the workforce.

Shortage of qualified educators to meet 2016 ratios changes

- Changes to educator to child ratios. There will be less children or more educators both outcomes result in higher costs for families.
- Quality of VET Graduates in ECEC.
- Early Childhood Teachers – the special conditions for ECT qualifications permitted only until 2016. This will cause services to be unable to meet requirement under Law and require additional waivers.

Viability for services

- Increases in wages anticipated through the Equal Remuneration Order currently before the Fair Work Commission.
- Loss of licensed capacity due to ratio changes. This will affect the lending institutions and they will apply pressure on borrowers as their ability to repay debt is diminished
- Impact of the proposed Paid Parental Leave scheme as families will be out of the workforce for longer and potentially withdraw other children from ECEC services.
- Children with Additional needs. The Inclusion Support Subsidy (ISS) funding is inadequate and administratively challenging. Services having less capacity to carry the financial burden and will result in a less inclusive environment.
- Rural and remote services are experiencing precarious financial positions, particularly in meeting increasing staffing ratios.
- Planning system to ensure that services attracting subsidies to apply to families are built in areas of high need if they require to be registered to manage government subsidies to families

Administrative burden

- Inability of State and Territory Governments to effect changes to Law and Regulations that are appropriate within their jurisdictions.



- A&R gridlock and the failure of regulatory authorities to ensure compliance for services
- A&R process subjective and not meeting intended outcomes of the NQS for quality improvement or communication with families.

Further information can be accessed from our submission to the Productivity Commission Inquiry in Childcare and Early Learning. The submission is available on the Productivity Commission's website.